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3 July 1985

# Latin America Report

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## LATIN AMERICA REPORT

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INTER-AMERICAN AFFAIRS

FINANCIAL FEDERATION PROPOSES REGIONAL CURRENCY

Santiago LA TERCERA DE LA HORA in Spanish 15 May 85 p 14

[Text] The establishment of a currency to replace the dollar for trade purposes in Latin America will be one of the main efforts this year of the Ibero-American Federation of Financial Associations, which is presided over by Chilean representative Guillermo Villaseca Castro. Such a currency would be the first step by Latin America's financial sector towards prompt regional integration.

"The time has come," Guillermo Villaseca indicated, "for us to undertake this task and not allow the public sector to take the lead, inasmuch as for historic reasons both Latin American authorities and governments are tied to obstacles that the private sector does not have in achieving true integration."

Villaseca noted that trade between Latin American countries has dropped from \$14 billion to \$7 billion last year.

"The trend used to be the opposite," he said. "Today our trade should be at \$21 billion, and instead we are at one-third of that, mainly due to the problem of the dollar."

Villaseca indicated that the issue was debated at the recent General Assembly of the Ibero-American Federation of Financial Associations. The sector is aware of the need to promptly establish a Latin America currency similar to the one in the European countries, whose community has a currency for all transactions and which therefore do not have to spend dollars among themselves. Villaseca noted that in order for the negotiations to be successful, they should be multilateral.

Congress in Chile

At the recent assembly the Ibero-American Federation also unanimously selected Chile as the site of its next congress in May 1986. Salvador Casanovas Marti, the president of the National Association of Financing Entities of Spain, was appointed the federation's vice president.

The meeting in Santiago is of enormous importance in Villaseca's view. He explained that although there are few financial institutions in Chile, they are extraordinarily important and play a far-reaching role in the economic life of other Latin American countries and Spain.

"Therefore, the fact that Chile will be the host country has great significance for our economic development. At the next meeting one of the fundamental issues will have to do with regional integration, the establishment of the new currency and a look at the debt problem, which in the judgment of Ibero-American financial institutions is dangerously slowing the development of their countries."

"We hope that in Chile we will be able to offer a response commensurate with the stature of the institution representatives who will be arriving in the country," Villaseca said in conclusion.

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INTER-AMERICAN AFFAIRS

ANDEAN PACT EFFECTIVENESS ANALYZED, EVALUATED

New Integration Plan Detailed

La Paz PRESENCIA in Spanish 26 May 85 p 1

[Text] Lima, 25 May--As it celebrates its 16th anniversary tomorrow, the Andean Pact will be on the verge of implementing, once again, measures designed to lift it out of its lethargy. At the same time, it faces a burdensome foreign debt.

The plenipotentiaries from Bolivia, Ecuador, Colombia, Peru and Venezuela are negotiating a modifying protocol that is expected to be approved next July.

When this happens, the Andean Pact will have a new community legal framework to carry out its efforts at integration.

Andean Pact officials recently reported that final approval of the revitalizing protocol awaits only the political debate on methods for enforcing the program for freeing up trade among the Andean nations, and the common external tariff to be imposed on non-Pact nations.

Another matter that still has to be decided is a mutually agreed upon plan for a special system to govern Bolivia and Ecuador, which are considered to be relatively less developed countries.

An innovation in the new Andean integration plan, which is expected to be implemented next July, will be the inclusion of a chapter on cooperation in the economic and social spheres, as well as in technology, science, tourism, conservation of natural resources and border integration, among other areas.

Meanwhile, the region's overall gross domestic product grew by 1.7 percent, higher than expected. The growth rate in 1984 was just 1 percent.

This increase comes after a 5 percent drop in 1983, and despite the negative results of Bolivia's and Venezuela's GDPs, according to the latest information supplied to the EFE news agency by the Andean Pact, corresponding to 1984.

According to these figures, Bolivia had a growth rate of a negative 3.7 percent in the year in question, while Colombia's GDP grew by 3 percent.

Ecuador's grew by 3 percent as well, and Peru's by 4.8 percent; Venezuela reported a negative growth rate of 1.7 percent.

The overall foreign debt of the Andean nations reached \$71.847 billion in 1984. These countries exported \$25.825 billion worth of goods in 1984, and imported \$17.08 billion. The 1983 export and import figures were \$23.991 and \$16.288 billion, respectively.

A total of \$8.693 billion was paid on the foreign debt in 1984, broken down as follows:

Venezuela, with \$15.89 billion in exports in 1984, paid \$3.4 billion.

Peru, which exported \$3.131 billion, had payments of \$2.565 billion, but of that, \$1.9 billion was in refinanced servicing. The difference was paid.

Ecuador paid \$1.189 billion in debt servicing, and exported \$2.581 billion worth of goods. Colombia, with a debt service of \$1.182 billion, exported \$3.368 billion. Finally, Bolivia, with exports totaling \$855 million, paid out \$357 million, but with a moratorium on \$692 million.

#### Future Prospects Analyzed

La Paz HOY in Spanish 28 May 85 p 3

[Text] Lima, 27 May--Sixteen years ago, on a day like yesterday, the Cartagena Agreement was signed, giving birth to the Andean Pact. Today that interesting experiment in integration is heading toward disintegration.

Although democrats may find it strange, the Andean Pact's greatest moments came when dictatorial regimes governed the subregion. "There was more enthusiasm," commented a former Cartagena Agreement official to the ANSA news agency.

In fact, now with democratic governments firmly entrenched in its five member states, expectations for the Andean Pact's future are not anything great or special.

Although many advocate a rapid and pragmatic solution to the problems that have bogged down the subregional organization, whose creation was inspired by the dreams of Simon Bolivar, the mechanisms appear to be stuck.

Each member country (Bolivia, Ecuador, Colombia, Peru and Venezuela) no longer makes decisions as a whole with the other members. Today the Andean countries are looking for better alternatives outside the provisions of the Cartagena Agreement.

"Every man for himself" seems to be the unwritten law accepted by the Andean governments, which are facing very grave social and economic problems on the domestic front.

Does the Andean Pact have any influence left? This question is being asked in many circles, and it will probably be answered when the modifying protocol now being discussed in the Cartagena Agreement Commission is finally approved.

It is true that the Andean Pact no longer exerts the overwhelming influence it built up during the 1960s.

Even the major organs of the mass media, which years ago used to publish major articles on the Andean Pact, today show a certain lack of interest in the process that was supposed to crystallize the economic unity of the Andean nations.

Sixteen years after the creation of this subregional organization, the results are not exactly encouraging. The figures show that Andean integration is still a mere illusion.

In the view of the experts, all the mechanisms that appeared to be viable and promising for the relatively less developed Andean nations such as Bolivia and Ecuador, have failed.

Some experts believe that the internal crises in each member country, the reaction to those crises by taking protectionist measures, and the political will of the successive governments, were the causes of the slowdown in Andean integration.

The present governments of the five Andean nations no longer exhibit that "great integrationist spirit." At some point, after many frustrations in the Andean process, subregional decisions became hollow words.

In practice, as the officials of the Board (the technical organ headquartered in Lima) recognize, many projects were simply abandoned in mid-stream. Many good projects were virtually "devoured" by red tape and apathy.

Given this state of affairs, the Andean Pact appears to be in its death throes; the entire institution is threatened with extinction.

Even the officials and experts of the Cartagena Agreement comment daily that for lack of political support, the organization "has lost its compass."

Other analysts indicate that just one of the five member states could deliver the coup de grace to the Cartagena Agreement by announcing its withdrawal.

The Andean Pact is clearly prostrate. Moreover, the political vacuum continues to undermine the very structure of the institution.

The deceleration of the Andean Pact began in 1980, when the Andean nations decided to protect their markets from the serious worldwide economic crisis that was threatening their precarious economies.

In a recent examination of conscience, former members of the Cartagena Agreement Board acknowledged that the Andean Pact was a very ambitious

project, but that the political leaders themselves "disarmed" the mechanisms that the Andean institution had established since 1969.

Today, the Andean Pact is downright vegetating. Board officials go over the projects every day, hoping that someone will speak up and pronounce the Andean Pact alive . . . or dead.

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INTER-AMERICAN AFFAIRS

BETANCUR PROPOSES AREA EDUCATIONAL ORGANIZATION

PA291720 Bogota Domestic Service in Spanish 1730 GMT 27 May 85

[Excerpts] Bogota--President Belisario Betancur today proposed the creation of an Ibero-American organization for education, science, and culture and raised the need for a profound reform of the educational systems of the nations in that bloc. The head of state spoke today at the installation of an Ibero-American congress of education ministers, which began deliberations at the Military Club in Bogota with the participation of delegates from over 20 countries.

Let us lay the groundwork for a solid Ibero-American organization for education, science, and culture and let us prepare--on later occasions opportunely scheduled and selected by these states--to establish mechanisms for coordination in the economic, social, juridical, and political areas, the president said.

In another part of his speech, the president severely assessed current educational methods in Ibero-American countries and called for a modernization of programs in order to make them meet the exigencies of today's world. For instance, he said that in most of our countries secondary education is (?terribly) academic, detached from society's interests, estranged from its nature and organization, and incapable of becoming integrated into a life of work and applying leisure to creativity. [Words indistinct] higher education is discriminatory and (?elitist), transmits [word indistinct] values, promotes dishonest attitudes [words indistinct].

Betancur urged the introduction of computer science in all educational processes and said: It is no longer possible to ignore the automatization of information in society through conscious, institutional procedures of permanent education.

CSO: 3348/719



ARGENTINA

GOVERNMENT TO CREATE FOREIGN TRADE ENTITY

Buenos Aires LA PRENSA in Spanish 14 May 85 p 11

[Text] The government has decided to create a Foreign Trade Institute to deal with all matters related to the country's exports. Its objective will be to expand exports and give them priority over any other economic activity, and it will not fall under the jurisdiction of any economic ministry or the Foreign Ministry, reported official sources.

The institute will not be under either of the current foreign trade secretaries in the Economy or Foreign Ministries (Ricardo Campero and Jorge Romero), added the sources.

The Foreign Trade Institute will probably fall under the President's Office, and will have the authority to require the other state enterprises to do its bidding to facilitate exports.

The sources explained that Argentine Railroads, Customs, Argentine Shipping Lines (ELMA), Argentine Airlines, the Central Bank and other departments will have to do whatever the new agency demands, "as if there were a war on," to facilitate exports.

Businessmen associated with foreign trade and producer cooperatives in this area will be represented in the new agency, added the sources.

The creation of the institute was defined as the implementation "of a strategic project" of the government aimed at improving the efficiency of the national economic apparatus through exports.

The sources did not disclose any other details about the creation of the new institute, nor did they indicate whether it will be in Brazil.

They did say, however, that the Foreign Trade Institute will be in place before the end of the year, because the country needs it urgently to overcome the bureaucratic stumbling blocks that are now hampering exports.

They also explained that the new agency will serve to put an end to a power struggle among various government sectors that was impeding export activity.

The key players in this struggle were the Secretariats of Foreign Trade in the Foreign Ministry and the Economy Ministry.

The latter has been managed by Ricardo Campero, while that of the Foreign Ministry was directed by Jorge Romero.

Romero is a businessman with interests in the country and necessary to pass a law to put it into practice [as published].

The sources also explained that the costs of exporting are going up because of the irrationality of the state apparatus, and that the overlapping of functions, the lack of adequate transportation and high freight charges will be solved with "drastic" measures.

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ARGENTINA

#### LATINEQUIP REPRESENTATIVE DEFINES OBJECTIVES

Buenos Aires INFORME INDUSTRIAL in Spanish Mar-Apr 85 pp 42-44

[Interview with Abraham Stein, Argentine director of Latinequip; author, date, time and place not given]

[Text] Abraham Stein, Argentine director of the trinational enterprise Latinequip (Hector Perez holds the same post in Mexico, and Eduardo Nascimento of Brazil is the current director general) waxes enthusiastic as he recalls an exciting precursor of this often frustrating process of integrating our countries. "It was a seminar held in Pucaramanga, Colombia, where some 50 representatives of state and private enterprises in Latin America exchanged information and worked together, comparing notes about the problems they had encountered and the solutions they had found in the transfer of technology with multinational companies in the petrochemical sector. That was an enriching experience, and in a way, a distant precursor of Latinequip."

Three public banks--the National Finance Bank, Inc. (NAFINSA) in Mexico, the Bank of the State of Sao Paulo in Brazil, and the Bank of the Province of Buenos Aires in Argentina--committed more than their contribution of \$1 million each to put into practice a dream that Latin Americans of the stature of Helio Jaguaribe have long cherished. This illustrious Brazilian, along with renowned figures such as Pastrana Borrero of Colombia and Enrique Iglesias of Uruguay, now belong to Latinequip's consultative board or advisory committee.

But this is just the beginning: "The charter of this enterprise," explains Stein, "leaves room for other banks or enterprises to join."

[Question] When the economies of three countries that have developed differently--especially in recent years--come into contact, to what extent is it possible to talk of integration? If the economies of Brazil and Argentina are put into play, how can we prevent the division of labor from making Brazil the center of production and Argentina the market?

[Answer] We have a kind of law that paraphrases that of Asimov's robots. That law said that the robots could not take any action that would endanger the human species; our law says that Latinequip cannot compete with the local market. If the Argentine market is well served by domestic production, with regard to the broad range of capital goods in which we operate, then we will

not encourage competition from Mexicans or Brazilians. Our attitude is exactly the same in Brazil and Mexico. But we should make it clear that when we say we do not compete with the local market, we do not want to fall into the trap of the farmer's dog. Our position is one of verifying that the local supply is indeed adequate, and that laws such as the Buy National statutes do not end up being adulterated by the idea that "if we can't, no one else can either."

When the local supply is clearly adequate, we do not enter the picture; but when the situation is not so clear, we try to contact businessmen and even help them fulfill the demand.

[Question] What does that help consist of?

[Answer] Local, or even international financing, from Mexico and Brazil, in the case of Argentina, and Argentina and Mexico or Argentina and Brazil in the case of Brazilian or Mexican needs. It also consists of information on the quality and quantity required, and technical assistance. Sometimes we can harmonize the local supply with that of other countries, and therefore that law I mentioned could have this corollary: We do not compete with the local market, but we can complement it.

[Question] As I understand it, you are not a source of financing yourselves.

[Answer] We are intermediaries of a quite special type.

[Question] How would you define Latinequip?

[Answer] From the operational point of view, we must consider it an intermediary in commercial, technological and financial matters.

What is distinctive about it is that it has a macroeconomic objective defined by statute: to increase the export of Argentine, Mexican and Brazilian capital goods.

[Question] Why capital goods?

[Answer] Because they contain a large quantity of associated technology, whether already incorporated or to be developed for production or utilization. It is generally assumed that enhancing our countries' ability to incorporate and develop technology is the best way for them to enter the world that is being created in the crisis we are all undergoing, with the best possible equipment.

This project was not an original idea of ours, but the fruit of the thought and money that Helio Jaguaribe expended years ago trying to promote it.

We should recognize that, like any business, we also have a microeconomic objective: profits. But once again, we have the unique feature that our profits can be used only to increase our activity.

[Question] What are the markets that Latinequip hopes to win?

[Answer] The markets of the world, without any statutory limitation.

[Question] Fine, but that is a bit exaggerated, because there are real operative limitations that go beyond any statutes.

[Answer] Correct. The limits are imposed by our financial and technological capacity and our price competitiveness. This area should be researched more as Latinequip grows. In this regard, it is very significant that the company's profits can only be used to increase its activities, because this will create a network of contacts that will expand with time.

[Question] How do these contacts take shape? I understand that Brazil has a very clear and aggressive foreign trade policy.

[Answer] Yes, I think we should learn a few things from them; for example, they have a very active foreign trade service, which we have only in exceptional cases.

[Question] Is it Latinequip's job to establish those ties?

[Answer] No. In the first stage, one of the most important contributions of its principal shareholders—the Bank of the Province of Buenos Aires, the Bank of the State of Sao Paulo and the National Finance Bank—is its very structure. Because of the agreement that was signed, we can use the agencies that each of these banks has in different parts of the world.

[Question] And what is our position with respect to this network of agencies?

[Answer] We have a few interesting points in Panama or New York, for example. Our partners have some branch offices in Africa or in Peru. We think we have a structure that, on the one hand, would be very difficult to set up, and on the other hand, is very appropriate for investigating the possibilities of marketing among our three countries, an area which has not been fully exploited. In fact, in a very quick survey that NAFINSA organized for us, we discovered that a Mexican firm that produces power wires imports raw materials from Japan, Germany or the United States for its aluminum wires. While it is true that aluminum is not a capital good, the fact that we have a surplus of aluminum means that we will have a means of payment to import things that we do not have and Mexico produces.

I recently had an experience that is typical of secretive Argentina. The owner of a shipyard in Chaco, who exports fishing vessels and shrimp boats to Central American countries, came to see me. He has to place an order for \$1.5 million worth of sheet metal of a special type to meet his commitments, and this sheet metal is not made in Argentina. Until he heard of Latinequip, he was planning on going through the usual channels and getting it in Japan or the United States. Again, although this is not a capital good, we are going to intervene so that this shipbuilder can obtain what he needs in Brazil. We will do the same thing to meet his engine needs.



I am giving you a very general idea of what Latinequip can offer, but the visits we receive and the constant calls for consultation of all kinds, are directly related to the interest that a business like ours sparks.

Another experience I had the same day has to do with a representative of an Argentine firm that produces specialized mechanical threaders that Brazil does not make. This man wants to find a market for his product, and we are going to help him do it. The same thing that is happening in Buenos Aires is going on at Latinequip's offices in Brazil and Mexico. We are also getting inquiries from people in other countries who are interested in our activities and want to know how they can use us.

[Question] The sources of financing tend to be the weak points in any exporting experience. How will Latinequip deal with these veritable bottlenecks?

[Answer] That is one of the services we want to provide, and to do so we will take different actions. Latinequip is a financial intermediary, and we find that a good part of the credit lines available are not used due to ignorance. Pre- and post-financing of exports--in our country and in the other two--are not used to full advantage.

In a brief visit to Washington to announce the birth of Latinequip, explain our philosophical position and express our hopes for the kind of support that the Inter-American Development Bank or the World Bank should provide, we discovered that despite these institutions' reluctance to grant supplier loans--they generally lend money to buyers--a change of attitude is possible. The operational dynamics of the 1960s (development assistance was given to us to the extent that the major enterprises of the central countries participated) no longer apply, because they do not help solve the greatest problem our countries face today, the need to cope with our huge foreign debts. We have encountered a certain amount of understanding of the fact that only if our economies grow more will the industrialized nations be assured of continued markets for their products. In contrast, sticking to the old attitude means shutting themselves into markets that have decreasing potential. Nevertheless, it was explained to us in Washington that both Argentina and Mexico were given nearly \$300 million in supplier lines of credit that have not been fully used. Through the political clout of our three shareholders and the influence we are able to exert as a council, we will try to reverse this situation, which arises out of ignorance or unwieldy procedures. The next step will be to try to increase the \$300 million, certainly a tiny amount considering the promising potential market we face. According to a study by Daniel Chudnovsky, the capital goods market in Latin America is in the neighborhood of \$20 billion a year, of which only 5 percent is covered by the countries in the region. What we are trying to do is limit the share of countries outside the region.

[Question] Given that the major companies have their foreign trade departments and possess quantities of information that the small- and medium-sized industries lack, will Latinequip fill that gap?

[Answer] Yes and no. Latinequip will undoubtedly fill the holes that may exist in the organizational structure of the small and medium firms, but in no way will it deprive the large corporations of its support and cooperation. In our efforts to promote the marketing of capital goods, serve as intermediaries and provide consultation on the formation of financial packages to export those goods, and promote the transfer of technology through joint ventures and other industrial cooperation projects, we accept all kinds of clients without discrimination.

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CSO: 3348/678

ARGENTINA

COMMITTEE TASKED WITH STUDY ON FERTILIZER INDUSTRY

Buenos Aires LA PRENSA in Spanish 7 May 85 p 4

[Text] Consumption of fertilizer is very low in Argentina, particularly on large fields. In 1983, 12 percent of the wheat fields were fertilized, mostly with diammonium phosphate. Urea was used to fertilize 250,000 hectares out of approximately 7 million hectares cultivated.

The government has started a program to increase productivity in the 1984-85 harvest which includes the increased use of fertilizer. Priority is given to nitrogenous fertilizers in the first stage, using only urea for wheat. To implement the program, the JNG [National Grain Board] is buying and distributing 75,000 tons of urea. It is distributed to the producer through cooperatives and grain storage associations. The fertilizer is paid for at the time of the harvest with wheat through a barter system established by the Secretariat of Agriculture and Livestock. The distributors give the JNG 1.95 tons of wheat per ton of urea. The producers give the distributors 2.5 tons of wheat per ton of urea.

Estimating that fertilizer on 750,000 hectares will mean an average increase of 0.6 tons of wheat per hectare, the country will receive \$51.75 million in additional income from wheat. This will mean \$10.1 million more in tax collections.

Part of the urea (3,700 tons) was distributed through the provincial governments for regional crops (rice, fruit, etc.). It was allocated to small producers with the barter system adapted to each case.

For the 1985-86 agricultural harvest, 150,000 tons of urea and 30,000 tons of SPT [Triple Calcium Superphosphate] will be distributed. The distribution will be the same as the year before with 2.05 tons of wheat per ton of urea from distributors and 2.72 tons of wheat from producers. Barter for SPT will be about 2.55 tons from the distributors and 3.22 tons from the producers.

The fertilized crops will be: wheat (115,000 tons of urea and 30,000 tons of SPT), corn (30,000 tons of urea) and, to a lesser extent, rice and fruit.

It is estimated that overall production will increase 1 million tons in the future harvest with \$114 million in foreign currency in additional income and an increase in tax revenue of \$25 million.

MOSP Joint Resolution No. 729/84 and ME No. 809/84 created COPROFER [Committee for the Production of Fertilizers]. It is formed by the secretary of energy, secretary of agriculture and livestock and secretary of industry and mining. It will design and coordinate the national policy for the production of chemical fertilizers. With that objective, the Technical Secretariat of COPROFER carried out the following tasks:

a) Analysis of the current and future demand for fertilizer and price levels.

Based on information from the Secretariat of Agriculture and Livestock, a market of 525,000 tons per year of urea, 200,000 tons per year of diammonium phosphate, 155,000 tons per year of SPT and 50,000 tons per year of compound fertilizers (12/15/15) has been estimated for the end of the decade. More than 80 percent will be concentrated on the Pampa Humeda. Also export possibilities are being planned since, beginning in 1987, it is estimated that there will be an international shortage of nitrogenous fertilizers and a price increase for them.

b) Determination of the availability and cost of natural resources to produce synthetic fertilizers.

Natural gas: There is an adequate supply in different regions of the country at relatively low costs compared to international levels.

Phosphoric rock: Deposits have been detected in Rio Capilla (Jujuy) and recovery in the gorges of HIPASAM [expansion unknown] is being studied.

Potassium: Very good potential has been found in southern Mendoza and north of Neuquen.

Sulphur: There are feasibility studies now to rehabilitate the La Casualidad mining complex in Salta Province.

c) Inventory, classification and preliminary evaluation of the fertilizer bills officially presented to the Secretariat of Industry.

d) Development of a mathematical model for the fertilizer industry that includes all the variables in play (site, size of plant, market, cost of gas, etc.) in order to determine the best alternatives.

It was verified that there are some comparative advantages that will permit competitive production of chemical fertilizers at the national and international level.

7717

CSO: 3348/698

ARGENTINA

## RECA ON FERTILIZING CAMPAIGN, FARM SECTOR CREDITS

Buenos Aires LA VOZ in Spanish 7 May 85 p 2

[Text] The secretary of agriculture and livestock, Lucio Reca, denied that there will be changes in the officials in that government sector. He also announced that the wheat production plan for the 1985-86 season includes "fertilizing twice the area fertilized" in the last harvest.

Reca talked briefly with journalists at the Metropolitan Airport shortly before leaving for Cordoba where he will announce the national wheat plan for the next harvest. He confirmed the government's decision to implement a line of credit for agriculture to increase production.

He stated: "We are going to ask the producers to try even harder to improve the volume of production." He pointed out that, in order to achieve the best results in this undertaking, "we will help the producer with any credit possibilities within our reach" through the Banco Nacion and the provincial banks.

He stated that the loans included in that aid program "will be implemented based on the value of the product." Therefore, "we can end the uncertainty of the producer" as to the amounts he will receive to meet his needs for planting and harvesting.

He then pointed out that his sector will place special emphasis on the increased use of fertilizers for wheat production. He indicated that this year "steps have already been taken and the fertilizer bought." This will make it possible "to double the arable area that can be fertilized."

Last, he revealed that the announcement of the wheat plan for next season includes the official policy on "adjustments of wheat prices." "We will take into account the evolution of the wholesale price index for nonagricultural products" so that "we can assure the producer that his efforts will be appropriately compensated.

### Price Supports

In Cordoba, Reca reported that the National Grain Board readjusted price supports for wheat (from 3,200 to 4,200 pesos), soybean (from 6,500 to 7,200) and corn (from 3,800 to 4,200 pesos).



He pointed out the efforts of the producers who, "despite a lack of credit," used their wits and resources to achieve a record harvest estimated at 43 million tons of grain, "approximately 7 percent more than last year."

Reca revealed the government's determination to temper the drop in international prices caused by the surplus resulting from the protectionist policies of the United States and the EEC countries. According to the secretary, "the policy as to rate of exchange and a modest reduction in retentions, based on our limited possibilities," made it possible to neutralize these drops to a great extent.

7717

CSO: 3348/698

ARGENTINA

BRIEFS

PORT ACTIVITY DECREE ANNOUNCED--The Center for Grain Exporters sent the minister of public works and services, engineer Roque Carranza, a bill regulating port activity, citing grounds that justify this legal reform in the opinion of that center. The subject is considered very important since losses caused by port inefficiency are estimated at more than \$500 million per year based on the total exports and imports. This does not include the indirect losses that these higher costs entail since they discourage the production of exports and necessary imports. Another priority of the bill is to provide maximum guarantees to private ports or private port installations. It includes the interests of the interior of the country, particularly in the maritime and river provinces. It concretely proposes that government ports be administered by companies formed by the state and the users--one for each port--with the representatives of the users in the majority. The basic objective of the bill is to replace the policy based on nationalization and bureaucratization of current port administration with an administration guided by the overwhelming interests of the users. [Text] [Buenos Aires LA PRENSA in Spanish 11 May 85 p 10] 7717

CHINESE FERTILIZER PLANT--La Plata--The governor, Dr Alejandro Armendariz, met with representatives from the Taiwan Fertilizer enterprise of the Republic of China. They presented a project to establish a fertilizer plant in Bahia Blanca using basic materials like ammonia and urea. According to the visitors, the proposal includes an investment of \$80 million, all financed by Taiwan Fertilizer. Within 2 years, it would need 300 operators to work with Argentine and Chinese technicians. Estimated production is 300 tons of fertilizer per year. [Text] [Buenos Aires LA PRENSA in Spanish 20 May 85 p 8] 7717

CSO: 3348/698

BOLIVIA

SANTA CRUZ WORKERS, YOUTH CLASH

PY140245 La Paz Cadena Panamericana in Spanish 0000 GMT 14 Jun 85

[Excerpt] According to our correspondent in Santa Cruz, an encounter between workers and members of the Santa Cruz Youth Union [Union Juvenil Crucenista] took place leaving six persons wounded from gun shots. The clash took place this afternoon when the two different groups took to the streets before the authorities had time to prevent the encounter.

The wounded persons were taken to hospitals, our correspondent told us. This useless bloodshed deeply concerns the district authorities who are carrying out investigations about the incident in order to report to national authorities.

The situation in Santa Cruz remained tense until broadcast time, despite the fact that calm is gradually returning.

Our correspondent Felipe (Cavimonte) has delivered the following report on this incident that concerns us and the world:

[Begin recording] Just as our departmental authorities had expected, a clash between the departmental Bolivian Labor Confederation [COB] workers and the Santa Cruz Youth Union took place today.

The two groups started marching peacefully from two different spots of the city, until at about 1655 when COB Executive Board members warned the departmental prefect authorities that if the 24 September Square was blocked by police and military members, they would only give them 15 minutes to lift the blockades so that the workers could arrive at the square.

The workers first gathered at the factory workers headquarters in Junin Street from where they marched down to the 24 September Square at 1700. At that moment some groups from the Santa Cruz Youth Union arrived in the square through (Deli) Moreno Street. The clash that took place then was lamentable.

There are five [as heard] persons wounded by gunshot as a result of the encounter. [passage omitted]

Up to the moment we still do not know what happened to the members of the Santa Cruz Youth Union who apparently were severely beaten by some of the workers that are still occupying the 24 September Square. [end relay]

BOLIVIA

BRIEFS

ELECTIONS MAY BE POSTPONED--La Paz, 12 Jun (EFE)--The National Electoral Court today reiterated that if the social problems become more acute the general and municipal elections scheduled for 14 July may be postponed. This announcement follows another warning made by General Simon Sejas Tordoya, the commander of the Armed Forces, who pointed out that the social disturbances may force the delay of the elections. The members of the Electoral Court are especially concerned over a possible strike by print shop workers which would prevent the printing of the 3 million multicolor and multiacronym ballots which will be used to elect with a single cross the candidates for president, vice president, senators, deputies, and municipal officials from the 18 parties participating in the elections. The decision to have a single ballot for the two elections, a system which the large parties prefer but which they have done nothing to force upon the Electoral Court, has created the protest, and boycott threats from some civic committees, such as the powerful committee in Santa Cruz Department. The national airline Lloyd Aereo Boliviano today announced that it suspended its flights due to lack of fuel, a problem caused by the oil workers strike in the southern part of the country. [passage omitted] [By Juan Maria Calvo] [Excerpt] [Madrid EFE in Spanish 1917 GMT 12 Jun 85 PY]

CSO: 3348/743

BRAZIL

SARNEY: POLITICIAN, WRITER, PRESIDENT

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Apr 85 p 16

/Text/ "Without a parliament, there is no democracy; without democracy, there is no freedom; and without freedom, man only breathes and grows fat," Jose Ribamar Ferreira de Araujo Costa, in fact known as Jose Sarney Costa, made that diagnosis of democracy at the Institute of Brazilian Lawyers in 1976 on the commemoration of the 150th anniversary of the senate. At that time as a lawyer, journalist and, above all, a politician, he already supported the stabilization of the legislative power in Brazil. Able and persistent in his option, the present president of the republic equipped himself early to play a leadership role in the Brazilian political process of the last 30 years. Passing through the instabilities of the regime, almost always victorious, from the very beginning of his public life he adhered to what he described as the dynamics of politics.

A radical student, excited by social issues, he was arrested like so many others in Sao Luis do Maranhao (he is a native of Pinheiros in that same state) when he participated in a rally against the Vargas dictatorship precisely at the time that the allied troops were landing in Europe during World War II. From a young activist he developed political awareness and entered into party activity in 1950 at 20 years of age. He supported the candidacy of the journalist and writer, Franklin de Oliveira, for federal deputy for the Social Democratic Party (PSD) of Maranhao. Four years later, he definitely began his career, gaining his first position as an alternate, for the same party, whose boss in Maranhao was Vitorino Freire. But fortuitous circumstances, or as Sarney prefers, the dynamics of politics led him to break with the PSD and join the National Democratic Union (UDN). Zealous of the reformist ideals of his youth--hence his old reputation of having a certain "leftist" tendency--he allied himself to what became embodied as the "bossa-nova" /new wave/ of the UDN. In 1958, already a leader with great oratorical potential, a writer and a poet, he entered the Federal Chamber and was re-elected the following term.

From 1958 to 1966, his capability and his bent for politics was consolidated: he becomes president of the UDN, vice-leader in the chamber and one of the leaders of the party's "bossa-nova." The move to the National Renewal Alliance (ARENA) after 1964 occurred naturally. For that reason, it was not difficult for him to become governor of Maranhao in the last direct election of the revolutionary period. What was painful, however, was confronting his first



serious obstacle, an attempt on his life at a rally in 1966, the year following his election. If it had not been for his popularity, a deranged person (that is what he was declared by the courts) would have stabbed him. The people present at the rally at which Sarney defended the Northeast, disarmed the knifer and almost lynched him. Jose Sarney remained faithful to his platform as a student in defense of the Northeast and, in the face of an approximately 70 percent cut in appropriations for the Superintendency for the Development of the Northeast (SUDENE), he acted like a public oracle: "If a new Juliao should arise in the Northeast, he will be clothed in the uniform of a general, or garbed in the cassock of a bishop" (Sao Luis, 1967).

There was no end to the celebrations hailing the completion of the Sarney administration of Maranhao in 1970. The newspaper ESTADO DE SAO PAULO summarized the governor's balance sheet as follows: "Jose Sarney has transformed the oligarchic Maranhao, decimated by years and years of corruption and ineptitude, into a new Maranhao." However, local political warfare sought to dim the luster of the celebration. The divisions of the bosses exploited contradictory accusations and defenses, but in any case, another concrete statistic seemed to reinforce the politician's prestige: his government had left 1,000 km of roads in Maranhao. At that time, Brazil was relying on highway expansion, among other miracles.

In the meantime, Jose Sarney made a leap of more than 1,000 km. Although his attention was publicly directed toward his native state, he harbored a bigger dream within him: Brasilia. Congress and the government party, ARENA, served him as a sounding board for his fiery campaigns. While he no longer strongly insisted on basic reforms--dangerously associated with the Joao Goulart era--he at least maintained the liberal proposition regarding defense of the political institutions. For that reason, he dared. He did not confront Institutional Act No 5 (AI-5) but analyzed it as transitory, in the face of the fierce criticism of the Brazilian Democratic Movement (MDB). Sarney publicly qualified himself as a liberal congressman. In 1972, with his words, he reinforced the other foot--the one he kept well-rooted in the regime: "The revolution only tends to outcast those who learned their political participation in the old order of bossism and not those who developed themselves in the work and struggle for social justice."

One step here, another there, in the difficult political balance of the seventies. In the face of the censorship of the ESTADO DE SAO PAULO, he comes to the side of the newspaper in 1973, defending it, and takes advantage of the occasion to also defend the freedom of the press. Along with the praise directed at the ESTADO, he politely raps the Sao Paulo government's excesses, pointing out that this is "a newspaper that is in the history of Brazil for the innumerable services rendered to the country." In 1974, however, he found another effective fighting weapon in building his political profile. The ARENA senator becomes the herald of liberalization. He says emphatically: there cannot be economic growth without political development. He is not even a little concerned then about the possibility of the MDB achieving power. He insists, however, that the expectation of alternation is part of the political game.

## The Sun Clouds Over

For a moment, a cloud dims the brilliance of his career. In 1975, considered to replace Petronio Portela as president of ARENA, he is disappointed over the failure of this advance in his career. He continues to preach institutionalization; he becomes the spokesman of irreversible liberalization. According to Sarney, Brazil will become mature and Geisel will perceive it. At the same time, in his statements he reinforces the two-party system, reinforced political institutions. Even through two parties, he considers that "liberalization is not a gift but a necessity for the state. For that reason, it is irreversible and has not stopped; it continues" (14 June 1975). That liberalization, however, did not bypass the conflict between Sarney and Ulysses Guimaraes, leader of the MDB; he accuses him of radicalism.

The clouds also came to Maranhao. His political enemies do not let up on their accusations, many times weighted in the context of corruption during the time he governed the state. In an effort beyond his reserves as a native of Maranhao committed to the old political structures, he tries to reach a reconciliation between the opposition and the government. He never achieved it. It was easier to deal with national "dynamic politics" than with his native land. In his confrontation with Paulo Brossard, for example, it was very advantageous for him to turn the tables on him, and in the face of the Rio Grande do Sul senator's criticism, to ask him dramatically: What dictatorship is this that permits such criticism? In Brasilia, Jose Sarney never lost the opportunity to proclaim the immaturity of the opposition, which he considered unprepared to assume power.

O ESTADO DE SAO PAULO caught him redhanded in 1977. In a note entitled, "The Mice in Council," it characterizes Sarney's criticism of the opposition: "The senator prefers an analytical opposition and regards it to be basic to the system--analytical and rickety, analytic and very quiet." Still in 1977, he reaches the bottom of the goblet and distills its bile: "Democracy is in difficult circumstances in Brazil because there is a conspiracy of radicals teaching /people/ to unlearn it." At that same time, the senator condemned the idea of a constituent assembly "as an old habit of the Communist Party" as well as those "who want to risk chaos, which in addition to being unpatriotic is completely impossible and unrealistic, mere speculation of joyous pessimism."

To lighten the main load a little, the politician grabbed other causes en route, such as divorce. There, too, he did not prove to be radical. Divorce, yes, but easy second marriage, no. According to Sarney's bill, in order for the divorced person to re-establish a household, it would be necessary to prove in court that he was current with the support obligations of the first marriage. The district vote, always in his vest pocket, was another of his platforms in the spare time from defending liberalization. In his opinion, the district vote would insure democracy based on plurality. Other priorities did not carry weight with him, which the opposition pointed out. However, he knew how to handle the opposition's attacks very well. They became worse at every turn. In the same year of 1977, his lands were invaded and he, in bygone days the advocate of the expropriation of large landholdings by the state, went to court against the invaders of his ranch in Maranhao.

Verbally, Jose Sarney always knew how to emerge well from contradictions. The failure of ideologies served him as a proposition in 1978. In his opinion, there is no longer any room for ideological parties in the Western World. There is only one solution: the existence of nonideological parties in a position to handle power. What would become the political pact strategy immediately afterwards was prepared. Former President Joao Figueiredo retained him in the senate with that mission and he was not chosen again to govern Maranhao. He sets course for the presidency of ARENA.

After another stumble--in December 1978, mentioned for the Ministry of the Interior, he loses that spot--he become president of ARENA with the purposeful protection of Figueiredo. He was not a member of the National Directorate; things were settled at the cost of resignations and the sudden opening of a vacancy. In January 1979, he holds the position of leader of ARENA. He did not lose time as architect of the political pact: he praises the opposition, which ceases to be unprepared and immature. He strives with all his might to strengthen ARENA, preaches a new party with unity, a compact. On 12 March 1979, he declares: "ARENA will be the government in Figueiredo's succession."

#### Progress In Sight

The year of grace 1979 demands herculean tasks: the president of ARENA advocates direct elections for governor, works to neutralize the unpopularity of the regime, legitimize the government, merge the real country with the formal one, defense alternation in power as valid, analyzes the ABC strikes as a predictable outburst stemming from the concentration of the income "pie." He announces the end of the punitive cycle and the timeliness of amnesty for the exiles. From time to time he returns to the district vote, his old passion; he abandons the "dichotomy" of the two-party system." He defines his multiparty picture as follows: a party of the center, supporting the government, without an ideological onus; another, populist, which would be the labor party; one of the left, ideological, the MDB; and a conservative one, of the right, which would absorb the most radical sectors of ARENA. While reality did not behave according to this political plan, at least Sarney succeeded in setting off the controversy, much fiercer within ARENA itself. New enemies and new crossfires: they even resurrected Figueiredo's push to get him into the National Directorate so that he could assume the presidency of the government party. They : to overthrow him, but not this time.

Nothing like poetry to relieve the lungs of the rhetoric of politics. A lawyer, educated in Sao Luis do Maranhao, a journalist and writer already well entrenched in the literary institutions of his state, with published and unpublished books in the fifties, a contributor to the literary supplements of the Northeast, Sarney confessed when he published a book of poetry in Rio de Janeiro in 1979 ("Maribondos de Fogo," Wasps of Fire): "Politics needs to have a little poetry"; perhaps one of his stimuli to continue in the political career. At the very outset of 1980, he was to face another defeat: he loses another ministry: that of justice. The wheel did not stop. In February, already president of the Social Democratic Party (PDS), ARENA's new guise, he comes to Sao Paulo for the party-launching ceremony at a party in which Maluf wants to shows his strength and, by an irony of fate, attacks his opponent. According



to him, Tancredo Neves, senator for the Popular Party (PP) is unjust and uncouth. That, because Tancredo had accused the country's administration of being negligent and incompetent. This stimulated the leader of the PDS to reinforce his party in Minas to win at any cost.

Literature served as an eyeopener for Sarney in 1970. An academic robe for the PDS, commented sarcastically those dissatisfied over the outcome of the contest with Sao Paulo writer Origines Lessa, who lost chair number 38 of the Brazilian Academy of Letters (ABL), which had belonged to Jose Americo de Almeida, to the Maranhao politician. Sarney was exultant and after that exerted all his effort on behalf of a 1972 ideal, pigeonholed in 1976, which surfaced in that period of his entrance into the ABL and remained pigeonholed: it was the plan to encourage culture through income tax deductions. The PDS leader also became more gentle toward his bitter opponenet. He even considered Ulysses Guimaraes a "great public figure," in a visit he made to him. Sarney continued the rapprochement: PP and Tancredo Neves, Brizola, Workers Party (PT), the Democratic Workers Party (PDT). His main work, which was not literary, takes shape: he explicitly proposes the transition pact among the parties. In February 1981, another cautious step: he advocates indirect elections for 1984; constitutional reform, yes, a constituent assembly, no. He vehemently denies the implosion of the PDS which, in 1981, was already running a high fever.

#### Checkup In Sao Paulo

On the speaker's platform in congress, defending Delfim Netto's economic policy and denying any threat of a retreat in the proclaimed liberalization process, Jose Sarney reached the limit of his health but, even so, before being hospitalized for hypertension, he declared with his remaining vigor: "My case is not to be, it is to remain." In January of 1982, he was forced to go to the Heart Institute of Sao Paulo to undergo a thorough checkup. Released from the hospital, he returned discreetly as one recovering from exhaustion but he then becomes involved with the revision of the Falcão Law, the reform of the constitution and, above all, the spade work to burnish the strong image of President Joao Figueiredo.

The tireless preacher avails himself of the political pulpit to support a change in the treatment of economic issues. He advocates the era of the politician and takes advantage of the 1983 economic crisis to aim at the unity of the /political/ class. According to him, the PDS was ready for dialog. He was inflexible on one point: immediate changes were impossible. On 23 October 1983, he concurs in direct elections for president but not for Figueiredo's succession. The PDS was firm on victory in the Electoral College and the "opposition patrols" upset the "dialog between parties." At the end of that year, Sarney vents his discouragement. His disposition changes when the /text incomplete/ to coordinate the selection of his successor. Without the support of Figueiredo, it is impossible, blurted out the political leader. Aware of the torrent downhill, in January 1984, Sarney rejects the possibility of running as a candidate for vice president for the government party, allegedly in order not to exacerbate even further the internal dissensions of the PDS.

The family man--so heroically camouflaged--suffered a deep shock in the campaign for direct elections. His son, Deputy Jose Sarney Filho (PDS--Maranhao) threatens to vote in favor of the Dante de Oliveira amendment, and does so. Sarney could hardly remain in the presidency of the PDS after this family contradiction. But Figueiredo once again keeps the ball in play and does not accept the resignation. Furthermore, Sarney and Marcilio Dias take up the fight for the vice presidency: the last throes that had been coming for a long time. On 12 June, Jose Sarney makes his most daring political move: he resigns the presidency of the PDS on perceiving that the National Executive Committee of the party would not approve the holding of a primary election and Maluf's pressure had spoken louder.

Jose Sarney re-emerges in a new front, the Liberal Front. They even say that, at that time, he was the balance wheel of the Democratic Alliance. Ulysses Guimaraes and Jose Sarney shook hands on the consummated pact that had been announced earlier. One breath of youth and the fiery native of Maranhao feels as in the bossa-nova days of the UDN. He might even renew the debate on the reform of political habits. The succession needs to reconcile the country--the watchword of the transition to the New Republic. The parties indeed have failed, he had said some time ago. The baptism takes place in the public square, his favorite place besides the speaker's platform, when in August 1984, affiliated with the PMDB, as Tancredo Neves' vice presidential candidate, nobody jeers him. Down deep he must have been thinking: politics is really dynamic.

#### The Tension of Interim Status

Vice President Jose Sarney's 39 days exercising the office of president were marked by tension and work. With the constitution on the table guiding the actions of an acting president but with his mind turned, first to the Brasilia Base Hospital, then to the Heart Institute in Sao Paulo where President-elect Tancredo Neves was hospitalized, Sarney also had an extra problem: to fulfill the commitments assumed by the president who was unable to assume his office and then to renew all the agreements made by candidate Tancredo Neves. Aiding him in that task was a computer and the so-called "book of Dona Antonia," Tancredo's personal secretary, who wrote some of the names picked by him for the New Republic's high-level administration. But only 19 days after assuming the presidency ad interim, Jose Sarney actually began to govern.

The decision to exercise his full constitutional powers was only adopted publicly on Wednesday: "Now I am going to wield the pen. Much as I respect and much as I am loyal to President Tancredo Neves, it is the interest of the country that is at stake," he promised in the morning. In the afternoon, he signed the big decision of his short government period, appointing the minister of the interior, Ronaldo Costa Couto, to occupy the governorship of the Federal District ad interim, a position which he considered to concern Tancredo Neves exclusively, not only because of its political injunctions but because of its proximity to the presidency of the republic.

Earlier, however, always explaining that he was following Dona Antonia's notes or the data stored in the computer, Sarney also signed the austerity measures of the new government, cutting by 15 percent the federal fiscal budget, which



had already suffered a reduction of 10 percent decreed by former President General Figueiredo. On conveying to the ministers President Tancredo's order not to spend, he added that the official banks would suspend loans for 2 months, recommending to the finance minister that he study the price schedules for essential food items during that period.

The acting president began by giving an example at home and decided that the official homes of the ministers be occupied provisionally without extra expenses for redecoration or the purchase of furniture and household appliances until the committee charged with studying the problem of perquisites finds another solution. The chief of the Civilian Household, Jose Hugo Castelo Branco, received strict instructions from Sarney to control the use of official cars and even paid out of his own pocket the sum of 150,000 cruzeiros spent by a "zealous" employee of Planalto Palace for the purchase of a stand for the constitution that he usually consults in his office.

### Strictness Against Scandals

The failures of the Brasilinvest and Sulbrasileiro banks also revealed the strictness of the New Republic. The acting president ordered Minister of Justice Fernando Lyra to initiate legal proceedings to determine the responsibility of the president of Brasilinvest, businessman Mario Garnero, who must begin to respond to the charges within 30 days and might be jailed. On the other hand, by decree, Sulbrasileiro will be under state control for 1 year, during which time the government plans to apply 900 billion cruzeiros to correct its finances and avert the dismissal of its 21,000 employees. Its directors will also be called to account in the courts for the possible irregularities practiced in Sulbrasileiro and Habitasul.

The re-establishment of the political autonomy of 31 municipalities considered areas of national security interest was also formalized by act of Jose Sarney, fulfilling the commitment assumed by President Tancredo Neves. Oddly enough, the first bill from the legislature approved by Sarney was written by his son, Deputy Sarney Filho, restricting to Brazilians the ownership and control of film production and distribution companies.

After Tancredo underwent his second operation on 20 March, Sarney said that he would not fill first and second echelon positions because the president would recover soon, or at least would be in condition to be consulted on the matter. That occurred on the 25th; but after Tancredo's fourth operation 48 hours later, Sarney backed off and, in agreement with the leaders of the Democratic Alliance, decided to appoint the members of the upper-echelon regional administration of the New Republic. The superintendents of SUDENE and of the Superintendency for the Development of the Amazon Region (SUDAM) were appointed ad interim, and the superintendents of the Superintendency for the Development of the Center-West Region (SUDECO), the Superintendency for the Development of the Southern Region (SUDESUL), the Superintendency for the Manaus Free Trade Zone (SUFRAMA) and the president of the Bank of Amazonia (BASA) were appointed definitely; they were followed by appointments to the official financial directorates and agencies, and appointments of members of the National Monetary Council.

## Secret Decree

On the following day, because of the criticism of congressmen from all parties in congress, Sarney was forced to make public a secret decree--an instrument created by the military governments to hide acts of the administration from the public--that had been issued days earlier, considering the posts of chief of the National Intelligence Service (SNI) agencies in Rio de Janeiro and Sao Paulo reserved to four-star generals.

In the short phase of his interim status, Jose Sarney also called on the people to joint together against urban violence and ordered studies to determine if the so-called Fleury law, which grants primary defendants the right to be free while responding to criminal charges, contributes to aggravating the problem. Sarney was the first civilian in the last 20 years to ratify a promotion action for military men on active service, confirming the names of three new army four-star general officers named by the High Command. The list did not include the name of Gen Newton Cruz, executor of the emergency measures in the Federal District during the vote on the wage-freeze decree and on direct elections for the presidency. Sarney was president of the PDS at the time and settled the matter in favor of the wage freeze and against direct elections.

## Occupying Space

Howemer, Jose Sarney took the precaution not to isolate himself. He began to start his workdays at breakfast with politicians and journalists, listening more than speaking in the former case. That was his first attempt to repair the fabric of the alliance that lends support to the new government and that has begun to come apart with the occupation of the political space left empty by Tancredo by the president of the PMDB and the chamber, Ulysses Guimaraes. That happened after Ulysses met in his residence with 10 ministers of state of his party, excluding Tancredo's nephew, Finance Minister Francisco Dornelles.

Once the aggravation of Tancredo Neves' health condition was indicated, the acting president of the republic instructed the chief of the SNI, Gen Ivan de Sousa Mendes, to keep abreast of the development of the president's illness in order to inform him in detail. He explained the decision, alleging that it is the function of the SNI to inform the president of the republic on matters of state. The practice is that the chief of the Military Household--who in this government is Gen Bayma Denys--should accompany the president of the republic wherever he goes.

Sarney also created a high-level committee designed to provide data for the formulation of a new higher-education policy, and prohibited any foreign mission charged with negotiating the foreign debt from entering Planalto Palace advising that from now on the place for discussion of those matters is the Central Bank. He set a 3-month period for the signing of a new letter of intent to the IMF during which time surveys will be conducted on the country's internal financial situation and its possibilities of payment of the foreign debt. To make clear the disposition of the New Republic not to violate the country's sovereignty, he ordered that "the debt will be paid in money but without further sacrifices by the people."

BRAZIL

IDEOLOGICAL DIFFERENCES AMONG CABINET MEMBERS EXAMINED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 May 85 p 4

[Article by Carlos Chagas: "Sarney Worried about Split in Cabinet"]

[Text] President Jose Sarney thinks that the differences of opinion in the cabinet are quite natural although he would of course prefer that there be no such differences of opinion. But he is worried. He is not disregarding the clashes of concepts; he is troubled by them and he will not allow them to turn into personality conflicts. He considers them to be inevitable since they are a part of the new times and constitute the essence of democracy itself; but he does fear their consequences if they should pick up speed, going beyond an examination of specific situations and moving on to the area of doctrine and even ideology. It would be rather odd indeed if there were no disagreements. His ministers are not automatons and they therefore have specific and personal views as they examine the many different problems now encountered and as they discuss viable solutions for them. He urges everyone to be patient, to stay calm, and to keep their cool but above all he must demand unity after an issue has been settled. After a decision has been made and after official policy has been spelled out on each issue, it would therefore not be justified for the confrontation to continue. This is where things get complicated and they could become even more complicated.

The president of the republic could not do anything else. He could not allow heads to roll at the slightest sign of disagreement, nor could he permit the permanent spread of dissent. In other words, Sarney examines the various conflicts which, by the way, are considered to be quite normal; then, if they continue or if they are revived, he identifies an element in them that resists normal remedy. The solution might turn out to be surgical, calling for drastic attitudes on his part.

By virtue of his position and experience and in view of the still rather unstable situation in which the New Republic finds itself, he tries to calm things down, to reconcile, and to get things done. He might do something that bus drivers sometimes do during the rush hour: He could step on the brake and, depending on the results, he could open the back door for anybody who gets out of line.

But the fact is that things are not as simple as all that on the government bus. This is because the driver has to keep looking ahead, paying attention to the traffic and trying to figure out ways to meet his schedule. From time to time he checks the passengers by looking into the rear view mirror; he cannot leave his seat behind the wheel; he cannot go back and check to make sure that everybody is in the proper place.

There is an aspect in the cabinet disagreements that is more doctrinaire and ideological than political, even though it is caused by specific and different issues. Almir Pazzianotto and Roberto Gusmao disagree on how to handle strikes but basically they advocate different philosophies. Although they belong to the same party, the PMDB [Brazilian Democratic Movement Party], they represent two lines of thinking. The labor minister feels that the ways of the New Republic must on a priority basis involve the improvement of the living conditions of the workers, even at the cost of greater sacrifices for the enterprises. He has proved to be sympathetic toward the idea of granting the demands of the strikers, although perhaps not all of them, since he even spoke of the importance of learning how to yield and to take a loss in talks between the parties involved. But he does not apply the Strike Law inherited from the dictatorship; he refuses to make any major effort to have these movements considered illegal because that would only generate reprisals against the leaders who are responsible for the shutdowns and that would put them into confrontation not only with the employers but also with the administration.

In looking at strikes, the minister of industry and commerce considers the undeniable damage inflicted upon the economy at a moment when the country is going through one of its most difficult times. It is up to him to identify and defend the interests of industry and commerce and to make sure that the economic system constituted by them will not fall apart because of these shutdowns.

If not divided, the remainder of the cabinet appears well positioned with respect to these two central theses. There are ministers who support Pazzianotto and there are ministers who side with Gusmao. These positions will continue to be held even though, just by way of assumption, the current rash of strikes might soon come to an end. This is because these two concepts cannot be reconciled and will not be reconciled, not even after the application of the Solomonic decision devised by Planalto Palace, that is, to push the vote on the new Strike Law and to leave congress the job of spelling out which are the legal movements and which are the illegal movements, thus certainly reducing the very broad range of the law currently in force.

This is only one example but there are others. What we can say about the duplication of command and directives among the economic-financial policy leaders? Finance Minister Francisco Dornelles does not have a single week of peace. He has complained that, in spite of his personal understanding with Planning Minister Joao Sayad, things are going rather badly. He wasted many days, arguing in an effort to persuade the American bankers to allow a longer period of grace to meet the obligations for this year on the



foreign debt; but, returning to Brasilia with the issue almost resolved, he found that his fellow minister declared that we would need another \$4 billion in new loans to make it through to December. Now, Dornelles does not even discuss the merit of the statement but rather the form in which it was made and the timing. Our creditors were certainly surprised and they could paralyze an understanding that is already fully successful.

On that particular score, President Jose Sarney sought immediate reconciliation. Twice he phoned the finance minister, he deplored what had happened, but he was not ready to call Sayad on the carpet. He thought that it would be better to let things work out themselves, something which might even happen, although this does add up to a disagreement that cannot be resolved. The fact is that the planning minister goes along with those who are trying to get tough with our creditors, believing that the foreign debt cannot be paid (in the broad sense) and maintaining that not even the interest should be paid in accordance with the obligations that were assumed. The finance minister has already confessed objectively that he does not feel able to get into this kind of confrontation in Washington or New York: "And, if they get tough likewise, who would get stuck with the burden of the greatest economic crisis in recent times?" Any other finance minister could try and even succeed in such a risky maneuver but not he who only now manages to understand the rough time Mario Henrique Simonsen had been having. At the start of the Ernesto Geisel administration, the then planning minister resigned his job, refusing to act in a foolhardy manner.

The position held by Dornelles and Sayad are far apart and spring from an important factor having to do with their origins. Sayad is a man of careful consideration; he conducts himself in a moderate manner during the week he spends in Brasilia but when he flies to Sao Paulo on Saturday and Sunday "he comes back with new ideas." From the intellectualized leaders of the PMDB in Sao Paulo he receives irresistible pressure to defend the viewpoints which 2 decades ago constituted the party's major platform plank: A complete change in the current economic model. Dornelles, whose job it is to control the purse strings, is afraid that any solution other than strict economizing and compliance with foreign obligations will push inflation up to 800 percent per year. No reconciliation is possible here either even though the problem of interest scheduled to be paid in 1985 has just been properly resolved.

The situation is getting worse because of what happened and because of what is yet to happen. On 29 May, the minister of reform and agricultural development will make his debut. He will lay the foundation for the application of the Land Statute and, except for some mistake, he will have to ask for the expropriation of the big unproductive estates, placing emphasis on the need for the decontraction of farm holdings. He will stir up his opponents inside and outside the administration partly also because current economic policy favors concentration—not so much through the action of the Finance Ministry but rather through the action of the Interior Ministry.

The split therefore turns out to be more doctrinaire than political, more ideological than personal. It does not involve the legal-institutional



level on which all agree with urgent reforms in the Constitution and in the laws even before the National Constituent Assembly meets but it does touch the economic and social levels. More than revealing the existence of "spending-oriented" ministers and "savings-oriented" ministers, the first 2 months of the New Republic displayed a more profound type of disagreement.

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BRAZIL

SETUBAL ON SOUTH AFRICAN, CUBAN, SOVIET RELATIONS

Brazil Accepts Veto on South Africa

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 28 May 85 p 2

[Text] Brazil will stick to its veto on trade with weapons and oil with South Africa which has the backing of a UN resolution, Foreign Minister Olavo Setubal announced yesterday during an interview at the War College where he lectured on the subject of "Brazilian Foreign Policy" for students at this institute of higher strategic studies.

Discussing Brazil's action with relation to the government in Johannesburg, the minister said: "Brazil is not contemplating any change in its position. It is radically opposed to the policy of apartheid (racial segregation) which it believes to be contrary to the basic values of humanity; but it does maintain correct relations with that country and trade will be carried on within the standards approved by the UN, in other words, excluding any trade with weapons or petroleum."

Concerning the policy on Afghanistan, Olavo Setubal said that Itamaraty [Foreign Office] considers improper the Soviet Union's intervention "in the internal affairs of that country and criticizes this intervention." The foreign minister said that Brazil advocates "a parliamentary solution to international conflicts and not through the mechanism of the superpowers deciding the interests of the world in a power confrontation."

Cuba

"Brazil realizes that we do not have a political problem with Cuba but rather a problem involving national security; in the light of this situation, Brazil broke relations with Cuba in 1964, when almost all Latin American countries broke relations," the foreign minister added.

And he emphasized that, at that time, there was "an opinion to the effect that Cuba was intervening in the internal affairs of the countries, promoting political agitation." The foreign relations minister recalled that "The OAS in 1975 reconsidered this situation estimate and agreed that Cuba was no longer acting in this way; this persuaded many countries to resume relations with the Cuban government."

Setubal announced that "at this time, Brazil is evaluating the situation in the face of the requests coming from vast segments of Brazilian society and even from the Foreign Relations Committee of the Chamber and the Senate."

During the lecture delivered to students at the War College, the foreign minister stressed one of the main points in Brazil's foreign policy actions which "is the policy of self-determination of peoples, the policy of non-interference in the internal affairs of each nation and of peaceful relations with all countries, governed by international law, in the international parliamentary forums, basically those of the UN."

#### Central America

The foreign minister also pointed out that Brazilian policy toward Central America "is to promote as much as possible a negotiated solution to the problems of that region through countries with direct interests in and specific knowledge of the area, in other words, the Contadora countries."

#### Setubal Understands Cuban Position

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 May 85 p 7

[Text] Minister Olavo Setubal liked the statement made by Cuban Deputy Felix Moreno to the effect that his country would strictly comply with the principle of nonintervention in its future dialogue with Brazil. "I consider this to be an important piece of information. But we had already agreed on that the day we said that Cuba is already displaying a different attitude toward other countries. It was this view which enabled us to reassess the problem of relations with Cuba," Setubal said.

The foreign minister also talked about the Soviet Union: "Contact with that country will develop within the normal channels of Brazilian diplomacy. Latin American has priority right now. Trips have already been announced by President Sarney (to Uruguay and to the UN). We are going to have four or five trips over the next several months and all of these are trips that were given higher priority in keeping with Brazil's immediate interests. But that does not mean that my trip to the Soviet Union might not come about thereafter or at a suitable moment." Setubal made his first trip abroad, picking Argentina, and in June he will attend an economic meeting in Sweden, after which he will go to the United States.

Nicaragua was one of the topics taken up during his meetings in recent days with Argentine authorities in Buenos Aires. The foreign minister believes that the Brazilian position is "coherent": Support for the activities of the Contadora Group, certainty that the countries closest to Nicaragua must have greater participation in the solution of the problem, and an effort to make sure that the crisis in Central America will not become an East-West issue.

Another topic debated in Buenos Aires concerned the Falkland Islands. Setubal made reference to the position expressed by Brazil in the permanent council

of the OAS: "The Brazilian government repeatedly in this context expressed its growing concern with the possibility that a process of militarization might be unleashed in the South Atlantic, an area which we view not as a dividing line between continents but rather as a factor of peaceful get-together among peoples."

#### Foreign Debt

Setubal said emphatically that Brazil and Argentina "intend to meet their obligations" on the matter of the foreign debt and both considered the Cartagena forum to be "important" to the political negotiations on this topic.

In his understandings with the Argentine authorities, Setubal admitted that it is necessary to reduce that country's trade deficit with Brazil. He said that wheat, gas, and petroleum will be arranged within a new scheme to permit better trade negotiations.

The foreign minister guaranteed that the bridge over the Iguacu River should be completed by the end of the year as a new link between Argentina and Brazil. On that occasion there might be a meeting between presidents Raul Alfonsin and Jose Sarney.

In Buenos Aires, Setubal also examined nuclear cooperation with this neighboring country, "always on the basis of the peaceful use of this type of energy, which is a basic requirement for any of our talks on that score." He closed his group interview yesterday, stressing the importance of Argentina and the significance of Brazil's relations with that country: "Argentina holds full priority."

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BRAZIL

OVER 2 MILLION ILLITERATES QUALIFIED TO VOTE IN NOVEMBER

Rio de Janeiro O GLOBO in Portuguese 17 May 85 p 2

[Text] In the upcoming elections for the prefectures of the capitals, a new contingent of more than 2 million persons--illiterates over the age of 18--will be qualified to vote. Rio Branco and Teresina are the cities where they appear in greatest numbers; they represent almost 30 percent of those who can vote. On the opposite extreme is Porto Alegre, where only 6.99 percent of eligible voters (752,098) cannot read or write, a criterion adopted by the IBGE [Brazilian Institute of Geography and Statistics] for classifying them as illiterate during the 1980 census.

Taking the example of the 1982 elections, if a candidate needed a minimum of 200,000 votes to be elected federal deputy in the state of Sao Paulo with its 12 million voters, and the 500,000 plus illiterates in the city of Sao Paulo had been allowed to vote, by themselves they could have elected two legislators and helped a third to be elected with the 100,000 remaining votes.

According to IBGE statistics, there are 571,628 illiterates over 18 in Sao Paulo, representing 10.5 percent of the population in that age group. In Rio, where 3,432,648 people are qualified to vote, those who can neither read nor write number 286,349 (8.34 percent).

In Belo Horizonte, those who may vote make up an overall group equal to one-fifth the number in Sao Paulo--1,063,657 persons. The ratio is maintained with respect to the number of illiterates: they also represent 10.87 percent of the new voters.

In Salvador the contingent is greater: 831,422 are qualified to vote and of them 118,045 (14.2 percent) cannot read or write. In Porto Alegre, the fifth "electoral college" of the capitals of the country with 752,098 persons over 18, illiterates make up only 6.99 percent of the total, or 52,540 persons.

Separating the capitals by regions, the Northeast, from Sao Luis to Salvador, is that which presents the largest contingent of illiterates over 18: 685,959 (19.85 percent of the 3,456,378 persons). The Southern Region, covering Curitiba, Florianopolis and Porto Alegre, has only 7.7



percent of illiterate adults of an overall number of 1,483,757 people qualified to vote.

Below is a chart with the number of persons over 18 years of age in the 23 capitals where there will be elections this year, the number of illiterate adults and their ratio with respect to the total.

DISTRIBUTION BY CAPITALS			
	VOTERS	ILLITERATES	PERCENTAGE
<b>NORTHERN REGION</b>	933,015	122,328	13,11%
Porto Velho	86,382	16,446	24,77%
Rio Branco	57,432	17,010	29,82%
Manaus	314,567	43,758	13,91%
Belém	494,634	45,114	9,12%
<b>NORTHEAST REGION</b>	3.456,378	685,959	19,85%
São Luis	232,515	35,803	15,40%
Teresina	191,593	55,888	29,17%
Fortaleza	723,573	153,846	21,26%
Natal	233,878	52,564	22,47%
João Pessoa	184,719	44,480	24,08%
Recife	889,383	134,634	19,53%
Maceló	213,943	57,734	26,99%
Aracaju	155,352	32,985	21,22%
Salvador	831,422	118,045	14,20%
<b>EASTERN REGION</b>	10.062,017	987,416	9,81%
Belo Horizonte	1.063,657	115,574	10,87%
Vitória	124,106	13,865	11,17%
Rio de Janeiro	3.432,848	286,349	8,34%
São Paulo	5.441,706	571,828	10,50%
<b>SOUTHERN REGION</b>	1.483,757	114,258	7,70%
Curitiba	617,926	51,178	8,26%
Florianópolis	113,733	10,540	9,27%
Porto Alegre	752,098	52,540	6,99%
<b>WESTERN REGION</b>	678,935	95,025	14,00%
Campo Grande	162,405	22,018	13,56%
Cuiabá	111,402	18,964	17,02%
Goiânia	405,128	54,043	13,34%

8908

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BRAZIL

MILITARY WARY OF RESURGENCE OF PCB: CRUZ COMMENTS

Military Accept PCB

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 May 85 p 8

[Text] The program of the Brazilian Communist Party [PCB] has already been duly analyzed and dissected by military analysts, who in their first diagnosis forecast: "They abandoned the orthodox Moscow line and adopted the reformist [line] of the Italian Communist Party. They are even accepting party pluralism!" Viewed with reservations among the military, the legalization of the PCB, according to a high-ranking officer linked to the press, could even be accepted by the armed forces.

"It is logical that it concern us, although that legalization has the advantage that it brings communist party members out of hiding. However, we are prepared to coexist with communism the party but not with the ideology," commented the military man, who described himself as being of the center.

That position, however, is not the rule within the barracks. Trained throughout their military career to consider communism as the main enemy of the regime which lasted in the country for the past 20 years, the large majority of the uniformed society does not view the resurgence in politics of those old adversaries with pleasure. The order, however, is to remain united, cohesive and watchful for any upheaval, trusting in the chiefs of the ministries, because it is up to them to deal with political affairs, while the subordinates must comply with the law and the instructions of their commanders.

Similarly, there is an expectation in military circles with respect to the New Republic and the political leadership of the country by the National Congress. There is a great grievance there, what they call the lack of recognition by civilian society of the gains of the 1964 revolution. "Now the military is blamed for all the ills of the country. Well, we are going to leave them alone, we are going to see what is going to happen. Is it not the National Congress which decides everything now? Is it not the one which governs? Well, then, we are going to see whether they can do better," says one of the uniformed spectators.

As another military man said, it is impossible to find anyone within the army who normally accepts the legalization of the Communist Party. After all, within the concept of modern warfare, total and all-encompassing, the spread of the communist danger is as they believe--and a former military minister of the STM [Superior Military Court] spoke for them recently--as present today as it was in 1964. Within that perspective, writes the same military man, it is up to the services to prepare themselves for an undefined war which ranges from a "limited and local" subversion to the pressure of a nuclear weapon.

The legalization of the PCB in a certain way does not acquire more serious contours within the military area for two reasons: The first, which has to do with the pledges by the armed forces of returning to the barracks and devoting themselves to their profession, or the other, in which they bet on the disorganization of the left itself and on its innumerable divisions and subdivisions. "If they were united it would be different," said an analyst of the intelligence system.

It is within that context that the candidacy of Div Gen Newton Cruz for the National Constituent Assembly as a deputy from Rio, despite it having surprised the military area because of its unusualness, has been well received by his uniformed comrades. The platform of General Cruz--of open war against the left and the communists parties--pleases many military men, if not the majority. Not a few of them believe that the former chief of the Central Agency of the National Service for Intelligence [SNI], in addition to receiving many votes, will manage to reflect the sentiments of many "patriots" who are now upset at the direction national politics is taking.

#### Cruz Justifies Candidacy

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 May 85 p 8

[Text] In view of the confirmation that the only possible and practical way to engage in politics is through the National Congress, Div Gen Newton Cruz of the reserves resolved to continue on his mission in favor of the ideas he defends--one of which is based on the fight against the leftist trend in the country and the preservation of free enterprise--by having himself elected a deputy. "The Congress is now the only normal way," he declared.

That was the reason given by him yesterday in an exclusive interview with O ESTADO, explaining the reasons that are taking him into politics and seeking election to the National Constituent Assembly. "Having my military career cut short by 3 years," he said, "new conditions were created for me. Before, I was only a soldier and I do not want to deny being the soldier I was. I played the game before. What I want to do, if I had my slate in the Rio PDS [Social Democratic Party] and if I were elected, is to accept the rules of a game. That is what I want do do."

General Newton Cruz--twice the executor of emergency measures in the Federal District, and as such responsible for the deployment of troops along the esplanade of the ministries, including the area surrounding the National Congress during the voting on the amendment of direct elections in April 1984--does not fear coexisting with politicians.

"They already told me that the new role will not be easy for me because I have a short fuse. It will not be because of that, I will lengthen my fuse. And if it is a question of calling the others 'Excellency' and of using the verb correctly in the third person, I have no problem either. I know how to do that," he said with a certain calm.

Making it a point to be perfectly clear that despite being anticommunist his political platform is more all-encompassing, the former military commander of Planalto, said that his fight is not against the communist party but against the movement to the left by the country; in defense of free enterprise and for the maintenance of the present constitutional role of the armed forces as guardians of national security contained in the new Brazilian constitution.

Newton Cruz goes even further: "If a communist party of national scope appears in the country and it does not have ties with similar parties abroad, I have nothing against that."

8908

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BRAZIL

PIRES URGES MILITARY TO REFRAIN FROM POLITICAL COMMENT

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 24 May 85 p 6

[Text] Minister of the Army Gen Leonidas Pires Goncalves recommended to the 13 Generals of the Army, members of the High Command, to abstain from making comments on subjects outside their professional area. The request was made orally the day before yesterday during one of the longest meetings of the high body in recent years.

Although it was made in the context of a general warning, according to military sources heard yesterday, the recommendation by the general has a definite target: Gen Octavio Medeiros, military commander of the Amazon Region, who upon landing in Brasilia from Manaus Tuesday night criticized the peaceful way in which the government has been dealing with strike movements, at the end giving his own formula: "A club is not holy but it works miracles," in an obvious allusion to the hardening that should be adopted against strikers.

The former chief of the SNI [National Service for Intelligence] left the meeting of the High Command the day before yesterday somewhat dejected, although it was said that Minister Leonidas Pires did not issue any warning because of what he said. The general explained to newsmen that the statement about "the club" on the strikers had been a "joke" and that they had caught him "offguard."

A report circulated in the corridors of General Headquarters, according to which the former chief of the SNI had been given a reprimand (penalty stipulated in disciplinary regulations) because of the interview he gave. However, not even his assistant wanted to speak on the subject. Unofficially, however, it was revealed that the reprimand was made in a general context.

IMBEL

Despite the fact that a large part of the High Command meeting was held with the agenda of scheduled administrative subjects, the generals of the army also spoke on the process of the strike movements in Sao Paulo and their repercussions on the supply of parts for the army. According to sources of the Ordnance Industry [IMBEL] yesterday, the strike movements have not yet affected the operational capabilities of the force because the contracting companies maintain stocks of spare parts for the army.



BRAZIL

MILITARY DEFEND CONSTITUTIONAL MISSION: OPPOSITION COMMENT

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 31 May 85 p 4

[Article by Zenaide Azeredo: "Military Defend Constitutional Function"]

[Text] Minister of the Army Gen Leonidas Pires Goncalves, does not want the Constituent Assembly to change anything in the present constitution in the chapter having to do with the armed forces. In an interview yesterday at the National Congress (where he visited the presidents of the two houses), he said that despite the fact that the army is not political, "In the degree that it may be consulted in specific things having to do with its constitutional mission, the principle is that nothing be changed. That is the tradition of a century."

The position of the minister of the army on the constitutional mission of the armed forces is not unique. It is similarly shared by the other chiefs of the navy and the air force, in addition to the minister-chief of the EMFA [Armed Forces General Staff]. In that respect, Adm Jose Maria do Amaral in a recent interview with O ESTADO said that the concept of national security--originating in the ESG [War College]--continues to be as valid today as in the past and it should be kept as the constitutional mission of the armed forces.

And what indeed is this so widely heralded "constitutional mission" of the armed forces? Generally, for the armed forces, it is the maintenance of domestic and external security, keeping in mind that war today has a much greater scope than expected and the armed forces must not restrict their activities to that which should in principle be their true constitutional mission: The external defense of the country.

According to one of the present members of the Army High Command: "The lessons of the past are very good and must be kept in mind in the preparation of the new charter, particularly in that having to do with the constitutional mission of the armed forces," in his opinion the most that can be changed in the chapter on the armed forces are "some terms" in Articles 90, 91, 92 and 93.

Another general, also a four-star, in an analysis of the constitutions of the country and their allusions to the armed forces, was brief: "The 1934

Constitution is very hasty; that of 1937 very fascist and that of 1946 very liberal--it came after World War II and the dictatorship of the New State, with a great spirit of vengeance; it is not good. Now, that of 1967 was the best, it was ideal."

#### In the National Congress

If the military have that idea of their constitutional mission, it is not shared in the National Congress among the legislators of the PMDB [Brazilian Democratic Party Movement] and of the PDS [Social Democratic Party]. Thus, for Deputy Joao Gilberto there are two highly dubious points in the 1967 Constitution in the chapter on the armed forces, which require an urgent revision.

One of them refers to that which is prescribed in Paragraph 1 of Article 92 of the 1967 Charter, maintained in the Constitutional Amendment of the Military Junta of 1969.

After stating that the "Armed forces made up of the Navy, Army and Air Force are permanent and regular national institutions organized on the basis of rank and discipline under the supreme authority of the president of the republic and within the limits of the law," Paragraph 1 says: "The armed forces are destined for defending the country and for guaranteeing constituted authority, law and order."

Denounced initially by historian Helio Silva in his book "Military Power," Deputy Joao Gilberto finds that the term "constituted authority" introduced into the 1967 Constitution is very ambiguous and serious.

He says: "Constituted authority is not necessarily constitutional. The authority that occasionally occupies the highest office in the nation is constituted and could be unconstitutionally constituted."

The PMDB deputy cites the case of the Junta Military, which assumed power in 1968 "without it being stipulated in the constitution," as an example.

That is why the legislator believes that on this point the new great charter of the country must at least maintain the terms of the 1946 Constitution, which stipulates that the armed forces are destined for "defending the country and guaranteeing constitutional authority, law and order."

According to Deputy Joao Gilberto, the key to the problem is found in the concept of national security. He advocates a complete revision "of the present concept of national security which is organized with a doctrinaire viewpoint with which we do not agree."

#### Interference

A similar opinion is held by Deputy Joao Agripino (PDS-PB), one of the few former members of the Constituent Assembly of 1946 still in office in the legislature: "When the constitutional commission (of 1946) discussed the

subject of the armed forces, it took care to place the president of the republic as the commander in chief. After much discussion as to the authority of the armed forces, the text of Article 177 prevailed, according to which the armed forces are destined for defending the country and guaranteeing constitutional authority, law and order, which means the physical integrity of national territory and its sovereignty. Nothing beyond that. To guarantee law and order was understood to be an elementary duty resulting from judicial, legislative and executive decisions."

For Agripino, the 1967 Constitution changed the authority of the armed forces, establishing that the execution of the national security policy was within their purview. "From that," he said, "resulted the interference by the armed forces in the political life of the country in everything that was considered a national security matter, while before that, they were restricted to the defense of the country and the guarantee of constitutional authority."

The Paraiba legislator considered it "an absurdity" that the armed forces interfere in politics, economy and everything else in the life of the country under the pretext of national security "even having powers greater than those of the president of the republic," since the interpretation of national security is very broad and subjective.

As a general of General Headquarters anticipated, it is expected that in the constituent assembly there will naturally be "differences and the clash of ideas." Indeed, there are many of the present legislators, such as those who were members of the 1946 Constituent Assembly, who will seek to introduce into the chapter on the armed forces of the charter, provisions which forbid meddling by the military in political affairs, something which is perfectly acceptable in the present "constitutional mission" of the armed forces.

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CSO: 3342/189

BRAZIL

BRIEFS

PCdoB REGISTRATION--Joao Amazonas de Souza Pedroso, secretary-general of the Communist Party of Brazil, yesterday turned over to Geraldo da Costa Manso, director-general of the Superior Electoral Court, a petition for the provisional registration of the PC do B [Communist Party of Brazil] and the grant of a legal period of time for reorganizing the party which was founded in 1922. Accompanied by the four federal deputies who represent the party in the Chamber--Haroldo Lima (PMDB [Brazilian Democratic Movement Party], BA[Bahia]), Aurelio Peres (PMDB/SP [Sao Paulo]), Luiz Guedes (PMDB/MG [Minas Gerais]), and Aldo Arantes (PMDB/GO [Goiás])--Joao Amazonas said that the Communist Party of Brazil is not a purely parliamentary party but also a popular party. "In the 1986 elections, we will be three times stronger than what we are today," he predicted. Amazonas said that, out of the four leaders of the Communist Party who petitioned for registration with the TSE [Superior Electoral Court] in 1945, he is the only one who remained loyal. "Prestes announced his withdrawal from any communist party; Arruda Camara died; and Mauricio Grabois also died." According to the secretary-general of the Communist Party of Brazil, the group that organized the Brazilian Communist Party changed the party's basic principles. For him, the only party that stuck to the same line of 1922, both while it was legal and while it was underground, are the communists of Brazil. "What do they want to reorganize?" Joao Amazonas asked in commenting on the statements made by leaders of the PCB [Brazilian Communist Party] who maintained that they came to the TSE with an explanatory addition in clarifying the reorganization petition. Analyzing the current situation, Joao Amazonas said that the Brazilian people never enjoyed perfect liberty, not even now." As for the armed struggle, Amazonas said that this is a problem of historical contingency and he emphasized that revolution--although it is a prohibited word--is nothing but a radical transformation of society. The petition filed with the TSE was signed by members of the National Provisional Steering Commission: Joao Amazonas, Jose Duarte, Dyneas Fernandes Aguiar, Jose Renato Rabelo, Roberio D'Oliveira Lustosa, Ronaldo Cavalcanti Freitas, Elza de Lima Monnerat, Joao Batista da Rocha Lemos, Pericles Santos de Souza, Alanir Cardoso and Maria do Socorro Moraes Vieira. The position adopted by the members of parliament of the Communist Party of Brazil is uniform: Wait for the grant of registration. As for participation in the elections for prefects in capitals, Amazonas said that the Communist Party of Brazil must support candidates of other parties in a coalition. They would run only during the second round. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 24 May 85 p 4] 5058

SUPERPUMA SALES RENEGOTIATIONS--The French enterprise Aerospatiale has accepted the renegotiation of the contract signed with the Aviation Ministry at the end of last year for the delivery of 15 Superpuma helicopters. The contract, worth \$92 million (460 billion cruzeiros) was signed by the Aviation Ministry under the old administration. This information was given to O ESTADO and JORNAL DA TARDE by unofficial sources. The visit to Paris during the next several days by the EMAER (Air Force Chief of Staff) BG Alfredo Henrique de Berenguer Cezar could help in working out new understandings with the French enterprise. The general will attend the air show at Le Bourget and could thus restart the talks with the Aerospatiale Group. The value of the contract signed with the French enterprise was considered high not only by the country's new aviation authorities but also by the administration itself, that is to say, the economic sector. The Aviation Ministry in turn does not believe that the purchase of the Superpuma helicopters is a priority matter but could even be postponed in favor of other projects. If there is renegotiation, the Aviation Ministry could purchase other types of equipment in France, equipment that would be of greater interest to the Air Force at this time, including flight control equipment. This would help in handling expenditures on other projects which it would be difficult to authorize with the aviation budget that has now been weighted down with the purchase of the Superpuma. Following the signing of the contract for the purchase of 15 helicopters last December, there emerged some restrictions on the negotiation of the French equipment in various military sectors and in segments of domestic industry, in Rio, in Sao Paulo, and in Brasilia. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 26 May 85 p 9] 5058

CSO: 3342/183



CHILE

COLLADOS, LAMARCA, CACERES, MOLINA ON NATIONAL FUTURE

Santiago QUE PASA in Spanish 16 May 85 pp 26-31

[Text] The first session of the symposium "Chile: a Political and Economic Blueprint" that the magazine QUE PASA organized to celebrate its 14th anniversary was marked by four distinct styles but a single objective.

In a lengthy address Economy Minister Modesto Collados presented the government's Economic Blueprint for the coming years. He described it as a program consistent with the values of Western Christian culture, which is far removed from totalitarianism, and set forth what its four pillars ought to be.

Speaking colloquially, which prompted loud applause, Felipe Lamarca, the former director of internal revenue, described the sort of Chile that he wants for himself, his children and the country. Making trenchant observations, he spoke out against government and private sector attitudes and actions that in his opinion would militate against the country he wants for the future.

Sergio Molina, a former finance minister in the Frei administration, agreed with many of Lamarca's criticisms of the Chilean economy. His speech went beyond economics into politics, however, inasmuch as he said that the country had an economic future only under a democracy.

For his part, former Finance Minister Carlos Caceres set forth in a well-founded speech what he viewed as the substantive components of a national economic program that would successfully meet the challenges of growth,

stability, employment and income distribution in a framework compatible with the permanent goals of the country's economic strategy.

#### Minister Collados

In describing his economic blueprint for Chile's future, Minister Collados first indicated that it should be based on the principles of Western Christian culture, which is characterized by an emphasis on freedom and justice, and secondly that it must reject any totalitarian model, as does the constitution of 1980 in its spirit and letter.

He then explained the four pillars on which the blueprint should rest:

1) The establishment of and respect for the right to private property, "a right that demands the unfettered workings of the marketplace and uncontrolled prices when competition exists."

The minister noted in this regard: "The enormous efforts of President Pinochet's government to raise the right of ownership to its proper place are not enough. The efforts must continue for decades to bear fruit and to make access to property increasingly widespread and more objective."

2) The existence of a State that watches out for the common good by discharging those functions that are inherent to its subsidiary role. "This does not mean that the State should be passive," Collados asserted. "On the contrary, it should be active, very active in the functions that it ought to discharge. It should see to the production of collective goods, the existence of a just and stable legal framework and assistance to the most underprivileged, as well as concern itself with a macroeconomic equilibrium."

As a long-range goal he pointed to continued cuts in government spending and focusing efforts on the most essential objectives. In this regard, he mentioned that the trend over the past 50 years has been to solve the problems of specific sectors through direct government intervention, blaming this on government policy, not on certain "undesirable actions" by private enterprise.

He then emphasized how important objective, impersonal laws were to economic progress. Discriminatory legislation, he said, stirs up tensions in society, discredits the State and causes the forces of production to focus on seeking ways to pressure the pertinent authorities.

3) An economy open to world trade. To achieve and strengthen such an economy, he asserted, we must have a policy of single-tier tariffs, a flexible exchange rate and stable, nondiscretionary foreign trade regulations. The minister said that he found quantitative restrictions

on trade, such as quotas or prior deposits, a very bad idea, inasmuch as they merely lend themselves to abuse.

He then asserted that an open economy generates more jobs and cushions the impact of fluctuations in the domestic economy.

With regard to unemployment, Minister Collados indicated that recent statistics show that the current work force in Chile totals 3,823,400, a record high. He announced, however, that there would be a slight falloff in employment figures next winter due to seasonal factors.

4) High priority for government action to help the needy. He recalled the actions that the current government has taken, asserting that they must be bolstered by cutting the fat out of social spending.

"From my experience and contact with various groups around the country, I find that most Chileans see the social marketplace economy as the model best suited to our national character and history," the minister indicated.

#### Urgent Future Tasks

The minister then brought up what he feels are the country's most urgent tasks for the remainder of the decade to consolidate the Economic Blueprint for Chile.

--Promoting foreign trade. A series of incentives will be offered to this end, among which he emphasized a realistic, flexible exchange rate policy aimed at setting a high rate; a tariff policy that will help promote exports, with a timetable for uniform reductions in general tariff levels; a system of specific duties to prevent unfair foreign competition, and retention of the system of price ranges.

Along with these measures, he announced that the government would spur the main foreign investment projects aimed at producing exportable goods; would give priority to public enterprise investment geared towards generating foreign exchange and to investments that cut the costs of producing export goods, and would take steps to help small-scale exporters.

--Increase in domestic savings. There will be a sharp rise in the public sector's savings, and various policies will be pursued to stimulate private savings.

--Strengthening the private sector. The following are some of the major steps that will be taken to this end: cutting public sector spending as a percentage of the GDP so that government does not put upward pressure on interest rates; investing pensions fund monies in stocks; a monetary policy that makes controlling inflation compatible with domestic interest rates that are similar to international rates; and a realistic exchange rate policy that protects the sectors that efficiently substitute for imports.

In conclusion, Modesto Collados indicated that the task before us requires "unity and will power," but only by undertaking it will we be able to consolidate a society of greater freedom and equality of opportunity for Chileans.

#### Felipe Lamarca

"There is no political or economic blueprint in Chile today, nor has there been one so far this century, nor has there ever been one. We lost our will to exist 100 years ago and since then we have gone steadily downhill, losing ground among Latin American nations," Felipe Lamarca said in his speech. Arguing that "we have gotten used to living in a country in which the future does not matter," the former director of internal revenue and manager of TICSA voiced his conviction that the road to development is difficult and demands planning 50 or 100 years ahead. There are two requirements for this: in the first place, a minimal consensus "on what we want our country to be like" and, secondly, concerted efforts and drive to reach our goals.

#### "The Chile That I Want"

In a six-point "credo" Lamarca described the Chile that he wants for himself, his children and his college students. Here are some of his main ideas: 1) "I want to live in a Chile where there is order and calm, where I never feel like my civil rights are threatened and where the most important value is social peace and harmony. 2) A Chile that allows me to live my life in complete freedom to think, to inform myself, to say what I think, to enjoy what I own, to bring up my children, with leeway to develop myself. 3) A society in which morality, merit, personal effort prevail, in which there is social and business mobility, in which hard work is worth something. 4) A country where I can make steady progress, where the ground rules are not changed on me and where my life does not depend on changes of ministers. 5) A country in whose future I feel involved. 6) A country that is part of the world, in which I can find out what is going on, take advantage of progress, compare and develop ideas, where creativity is stimulated."

#### Economic Foundations

There must be a consensus on five economic points, Lamarca indicated: resource allocation, property, the role of government, social equity and economic institutions. He remarked that a consensus is most easily achieved on the first point, inasmuch as "from the United States to China, everyone today believes in the market as a resource allocator."

He had this to say about property: "I cannot think of a free society that is not based on private property" (which ought to be "widespread")

"At the moment we have an unresolved problem with property, which is that the transfer is not smooth. When we have a problem in business, the transfer of property is liberating but also threatens the private use of property," Lamarca said, adding that this had created a new area. "There is the private area, the state-run area and another 'peculiar' area that is neither private nor public because it is run half by private individuals and half by government, but it smacks unmistakably of the State."

He also stressed the need for "an option for the poor" to eliminate extreme poverty. He added: "And don't come and tell me that there is no money. Because if you press me, I'll lend you my calculator and we'll figure out how much the dollar flight, the preferential dollar, the debt rescheduling and all the debt remittances cost. And then you can ask whether these funds couldn't have been used to help the poor a great deal."

He noted then that "we probably don't have income to distribute, but we do have property that is in State hands, in the area that I have called 'peculiar,' property in the hands of the banks that can be distributed."

Lamarca referred in conclusion to "economic institutions," asserting that "it is indispensable to decentralized political and economic power."

Carlos Caceres

"We are on our way to the year 2000. The technological revolution has opened up major opportunities for the nation. We must lay the groundwork and develop the proper attitudes to meet this challenge. The point is not to look out for an economic system that guarantees maximum efficiency; the point is to draft a blueprint that will provide guarantees for a society that wishes to achieve prosperity in a climate of justice and freedom."

These were the words that Carlos Caceres, a former finance minister and current member of the Council of State, used to describe his view of Chile's future in his solid analysis of the country's political constitution. Proprietary rights, stable prices and impersonal laws were the three points that he analyzed in his address, the conclusion of which was that "one of the characteristics of our development has been continual changes in economic regulations, compounded by the fact that during every presidential term essential aspects of the nation's life have been in jeopardy."

#### Basic Principles

In Caceres's judgment, the constitution cannot and should not specify a given economic system. Nevertheless, the constitution should safeguard the factors that "constitute a free social order." One of them, the main one, is property.



The former minister reviewed the country's constitutional history since 1923, asserting that throughout this period the inviolability of ownership rights had been guaranteed. Referring to the reforms of 1967 and 1971, he asserted that they weakened private property and intensified the concentration of property in the hands of the State. He then analyzed in detail the constitution of 1980, indicating that it firmly safeguarded "this important natural right and pillar of stability for our society." He stated that the good faith of the government and the governed and the determination of the latter to have their rights respected are indispensable for the constitution to work.

In connection with price stability, another fundamental condition to be insured, according to the former minister, inflation poses a major threat.

He called inflation "a way to expropriate and transfer private property to the State." He went on to say: "When a currency loses value, it entails a loss of net worth and, therefore, of well-being. The State is the recipient of the benefit and, thanks to the hidden tax of inflation, it can further increase its level of spending."

Caceres also had this to say: "The country's finances must be managed in a balanced way, in the sense that if the government or public enterprises need more money, they must turn to the domestic or foreign financial market, with all of the consequences that this entails in terms of crowding out the private sector."

#### Impersonal Legislation and a Consensus

Carlos Caceres underscored the constitution's advocacy of impersonal laws and, specifically, the equal treatment that all citizens must enjoy in public life. He asserted: "Under an authentic democracy it does not suffice to note that all citizens are equal before the law. If the constitution leaves the awarding of certain appointed positions open to the interpretation or to the discretion of an official, then the above principle will remain merely wishful thinking, without any chance of practical application."

In conclusion, Caceres talked about the required philosophical consensus for achieving national unity. He said that such a consensus could be secured on the basis of the constitution, which safeguards the right of ownership, stable prices and impersonal legislation.

#### Sergio Molina

Sergio Molina, an economist and former finance minister under Frei, said that Chile's future development was possible only in a democracy based on freedom and ethical principles. He had this to say at the symposium: "It is the essence and nature of man to carry on economic activities on his own initiative and to choose where he wishes to

work and to what use he wishes to put the product of his labor. These freedoms and rights belong to all, and if the majority is excluded, these rights lose their legitimacy and make economic freedom debatable."

#### A Task For All

In his well-argued address Molina set forth the ethical foundations of future economic policy. He summarized them as follows: "Austerity in private consumption and sobriety in government spending, creativity and nationwide efforts, high productivity, self-discipline and hard work, steady progress towards equal opportunity, the satisfaction of basic needs, and work as the foundation of the economy."

He contended later on that stable political majorities are indispensable to the consolidation of democracy and to the charting of a development strategy that will enjoy credibility among the public and create confidence in economic and social actors."

#### Question Marks

In the main part of his speech Sergio Molina indicated what in his opinion would be the main political and economic issues in the future, and explained his stand on them: private property, the ownership and administration of banks, the ownership of the AFP's, the relationship between the marketplace and planning, an open door to trade, foreign investment, restrictions on and the potential for development, higher output of marketable goods, domestic saving and investment, jobs and basic needs. He had this to say about property: "I am in favor of the public and private ownership of companies, which is characteristic of a mixed economy, and of different forms of organization for private property, thus establishing the principle of plurality without coercively imposing one form or another. This does not detract from the validity of promoting more just forms of ownership, taking into consideration the efficiency needed to achieve the goals of production and social welfare."

The former minister said that the banks had to return to their true function, which is to provide "financial services, not to help create business conglomerates." With regard to the ownership of banks, he noted that first of all the government should retain control over the banks it has taken over; therefore, "we do not agree with the arrangements and the timetable that have been set up to transfer ownership of the banks from the government to private hands."

Another issue that Molina broached was social security reform, "one of the major controversial changes that this government has made." In his opinion, there is no moral justification for and no financial advantage to having the AFP's privately owned. His stand is that they ought to belong to the contributors, which would be to their benefit and prevent a further concentration of wealth.

He also talked about the restrictions on and the potential for future development. He said that for several years Chile would be faced with restraints on funds from overseas. This dictates two economic policy priorities: boosting the output of marketable goods and increasing domestic savings, which he feels the government is trying to do. He indicated that where he disagreed with the government was the price, which he called "excessive," that the country is paying because of the adjustment process, the foreign debt rescheduling and the specific policies that are being pursued.

He asked the following questions about the foreign debt: Can Chile improve the terms under which it has rescheduled its foreign debt? Have all possible sources of overseas financing been taken advantage of? Is there some leeway for selectively reducing imports?

8743

CSO: 3348/701

CHILE

SOFOFA DEPLORES STATE COMPETITION WITH PRIVATE SECTOR

Santiago LA TERCERA DE LA HORA in Spanish 17 May 85 p 5

[Text] "On the one hand, the Treasury taxes and, on the other, it invests heavily in enterprises that are going to compete with private firms. The private sector does not understand this contradicton."

This remark was made yesterday by the president of the Industrial Development Association (SOFOFA), Ernesto Ayala, who met with Finance Minister Hernan Buchi and later with Economy Minister Modesto Collados to emphasize to them that state-run enterprises should not start competing with private companies, especially in sectors that are already being accomodated.

Regarding his meeting with Minister Buchi, he indicated that the Finance Ministry "is conducting a campaign to get the country to save and not spend. It has established new taxes. I'm happy about that. But it so happens that there are state-run enterprises that are investing heavily to compete with existing private firms."

Ayala stressed that the government should not be taking in new tax revenue on the one hand and making so many expenditures on the other.

Ayala said that the minister pledged to look closely into the situation, which includes the cases of CODELCO [Copper Corporation], which wants to set up a monopolistic smelting network, and of the textile firm Machasa, which has not yet been sold off and remains in the hands of CORFO [Production Development Corporation].

Another problem case is the companies that manufacture hunting firearms, which are currently subject to a 50 percent surtax on the value added tax. The minister did not comment on this case, Ayala noted.

The meeting with the ministers centered on the above issue and on the advertising monopoly, Ayala said, adding that Minister Buchi said that he was going to contact LA NACION spokesmen to look into this particular matter.

## Debt

Ayala declined to comment on the indebtedness of private firms, noting that he had not discussed the matter with Buchi but acknowledging that it is under study. "As is customary in SOFOFA, before voicing an opinion on an issue, we conduct in-depth studies to come up with forecasts and suitable solutions."

When asked why he held these meetings with various ministers to address the same issue, he indicated that the economic authorities, the finance minister in particular, are not the only principals linked to activities involving government competition with private companies; several other ministries and even some divisions of the Armed Forces, as in the case of printing houses, are involved as well.

"Therefore," he concluded, "we have to talk with all sectors involved, which we will continue to do. Even if this problem is not taken care of, and the Treasury keeps on spending money on this sort of competition, we will call on the country's highest authorities to find an answer to this sort of problem."

8743

CSO: 3348/701



CHILE

TASS: EASTER ISLAND UNDER THREAT OF BECOMING SDI BASE

LD052016 Moscow TASS in English 1952 GMT 5 Jun 85

["Easter Island Under Washington's Threat"--TASS headline]

[Text] Moscow June 5 TASS--TASS news analyst Leonid Ponomarev writes:

Easter Island is under the threat of becoming a U.S. base under the programme for preparation of "star wars". The ASSOCIATED PRESS news agency reports from Santiago (Chile) that the U.S. Administration and Chilean dictator Pinochet are discussing a plan to use the Pacific island, which belongs to Chile, as a ground base for space shuttles. Spokesmen of the U.S. Administration assure that it is a question of only extending the runway on the island and of using it for the emergency landing of U.S. space shuttles which are launched under the programme of the National Aeronautics and Space Administration (NASA). However, even Washington's official circles, including Pentagon leaders, admit that a considerable part of the work and experiments during the flights of NASA's space shuttles are being carried out for purely military purposes.

With the start of research and experimental-design work under the "star wars" programme, space shuttles constitute one of major components of the militarisation of outer space and of its uses for military purposes. In particular, the creation of an attack space weapon is being tested by means of space shuttles. Lieutenant General James Abrahamson, director of the organisation for the implementation of the "star wars" programme, has admitted in an interview with the AVIATION WEEK AND SPACE TECHNOLOGY journal that, although space shuttles are under the authority of a non-military agency, NASA, the U.S. Department of Defence has always intended to use space shuttles for the accomplishment of secret military tasks. The nature of the tasks is evidenced by an interview taken from the leaders of the same organisation by the Washington correspondent of the London TIMES about the goals of Reagan's "star wars" programme.

Political strategists in that organisation, according to the correspondent, are confident that research within the framework of the "star wars" programme in the course of five-six years will lead to the start of the production of a space-based weapon. He added that already now hundreds of U.S. companies and research institutes participate in the project.

The use of Easter Island in the series of military preparations under the space militarisation programme cannot but worry the scientific community and the world public as a whole. The historical and archeological singularity and value of Easter Island to the entire civilisation, with its mysterious huge statues and no less mysterious native people Rapa Nui, of whom there are less than two thousand, are so obvious that Washington's encroachment upon the island cannot be regarded otherwise than an encroachment upon the asset of the whole of mankind.

At the same time it is essential to realise that Washington leaders, by launching preparations for "star wars", are putting in jeopardy the existence of the entire modern civilisation. This is why, apparently, no importance is being attached in the monstrous plans of the U.S. Administration to the preservation of the past on Easter Island.

CSO: 3348/720

CHILE

SOVEREIGNTY TO EXTEND TO 350 MILES AROUND EASTER ISLAND

Lima EL COMERCIO in Spanish 3 May 85 p B-2

[Text] Santiago de Chile, 2 May 85—Chile will proclaim its sovereignty over 350 miles of the submarine shelf around Easter Island in the Pacific Ocean, the Chancery's director of special policy, Alberto Gamboa, informed the EFE [news agency].

The high official states that Chile will assert the right to be conferred by the new UN Convention of the Sea signed by some 130 countries in Jamaica in 1982, when it goes into effect.

Gamboa asserted that the new convention provides an extent of 12 miles for territorial waters, including those surrounding islands.

He added that it also establishes the exclusive economic zone, which is under the jurisdiction of a country but cannot be restricted to free navigation and overflight, and all the resources contained in those 200 miles belong to that country.

The official noted that under the sea is the submarine or continental shelf, over which countries will be able to exert their sovereignty up to 200 miles, as a general rule, but it will be possible to extend it to 350 miles where the shelf is very extensive.

The provisions of the new convention, Gamboa stated, will go into effect within the next 3 or 4 years once it is ratified by a minimum of 60 countries.

Gamboa disclosed that there are manganese nodules on the submarine shelf around Easter Island in the South Pacific, and he explained that the nodules are metallic balls containing mostly copper, zinc and manganese.

He added that there are transnational enterprises that have started to experimentally extract those nodules from maritime zones off Mexico and the Galapagos Islands.

He announced that Chile will ratify the convention this year, and added that it will promptly proclaim its sovereignty over the 350 miles of submarine shelf surrounding Easter Island.

Easter Island is on a mid-ocean elevation forming part of a range that stretches from the Northern Hemisphere, which provides it an enormous shelf, he asserted.

He added that there is practically no submarine shelf on the continental coast of Chile because the sea bottom drops steeply almost immediately, except in the Taitao Peninsula.

8414

CSO: 3348/687

CHILE

## EASTER ISLAND AIRPORT DEVELOPMENT CONTROVERSIAL ISSUE

Santiago HOY in Spanish 6 May 85 p 21

[Text] Easter Island has become fashionable for several reasons.

In its annual meeting recently held at La Serena, the Chilean Association of Tourism Enterprises (ACHET) evinced its concern about the difficulties of flying to Rapa Nui. Those, few in number, are the reasons why wholesale agents exclude this tourist site from their international "package deals."

According to what was stated in that meeting of the ACHET, the problem is that the government demands that LAN Chile [National Airline Chile]--the only carrier on the Santiago-Papeete route--pay the expenses, and the enterprise has been forced into irregular scheduling because the air operation to Easter Island is not profitable. In that context and considering that Easter Islanders live from tourism, it was concluded at the meeting that "it is essential to exempt LAN from the self-financing obligation on that route," and even "point out the need to subsidize a second weekly flight."

The situation also concerns Margarita Ducci, national director of tourism, who addressed that subject which is outside the realm of tourism because it involves factors bearing on national sovereignty, foreign policy and Chile's projection toward the Pacific.

### Spatial Base

There was news of another project that surprised even Sergio Rapu, the island's governor. Build a landing strip suitable for space shuttles? He did not wish to venture any opinions because "the possibility of installing the United States on Easter Island is something that is discussed and studied in Santiago, not the island."

But he has reservations about that project proposed by NASA, which views the Mataverí Airport as an alternative base--in case of emergency--for the landing of U.S. shuttles. He believes "it is difficult that it will materialize."

However, Vice Admiral Patricio Carvajal, the minister of defense, is more optimistic. After 3 days on the site, he verified the feasibility and



convenience of some development projects (especially those related to national defense), among which is the one proposed by NASA.

He explained on his return from that Chilean possession that he went over the landing strip--2,900 meters long and 45 meters wide--and "it is possible to extend it at either end and to lengthen it to approximately 3,350 meters." And he emphasized: "I find the project excellent and would sign the contract such as it is."

Although some sectors are not favorably disposed because it would affect the idiosyncrasy of the population and the ecology, and would imply granting the United States permission to have an enclave in Chilean territory, Minister Carvajal asserts that it would not be a military base, and that U.S. personnel assigned there would be minimal during the progress of space flights. "It would be a worthy project, and the lengthening of the landing strip will be wholly financed by the United States."

And while Easter Island expects the construction of a port before long--a wish being considered by the 5th Region authorities--the secretary of state says that it would be convenient to improve the air navigational aid system, "which logically should be the best."

Carvajal is happy with this project. If it materializes, he says, "Easter Island would profit greatly. From the outset, it would have one of the best airports in the country, which will promote its touristic and economic development, and so forth..."

The inhabitants will soon know if they will have a port, or a space base. Or maybe both. Or none.

8414

CSO: 3348/687

CHILE

HAVANA RADIO RAPS CENSORSHIP BY PINOCHET REGIME

PA010916 Havana International Service in Spanish 2310 GMT 31 May 85

["Our America" commentary]

[Text] Chile's fascist regime has added the so-called "Operation Silence," designed to detract significance from the antidictatorial struggle by revolutionary organizations to its voluminous file of repressive actions against the people. The operation includes gross manipulations of information by a so-called Military Committee for Censorship, charged with concealing the many antidictatorial actions staged in Chile and with bolstering the regime's deteriorated public image. Chile's fascist authorities are thus attempting to blame the revolutionary organizations for the acts of sabotage committed by paramilitary groups--in which the principal victims are helpless civilians--that go unpunished because they are protected and financed by well-known government officials.

Several days ago 3 people were killed and 30 injured by the explosions of 3 bombs in crowded Santiago spots. The regime was quick to blame Chile's Manuel Rodriguez Patriotic Front for those actions. The organization, which advocates armed struggle against the Pinochet dictatorship, rejected outright the official statements in that sense and reiterated that its actions never endanger the lives of innocent civilians. It denounced the existence in Chile of many paramilitary groups that act freely and are the real authors of the terrorist attacks that have claimed dozens of civilians' lives.

The tone of the official communiques is an important aspect of the operation, while the press media which are allowed to operate must forcefully disseminate only the Presidency's versions of reports. The censorship of the press, which has kept six opposition periodicals out of circulation since November, shows no immediate possibility of ending. Although Francisco Javier Cuadra, secretary general of the government, mentioned the possibility of lifting the state of siege, it was made clear that the restrictions on the freedom of expression will continue. In this sense, the Chilean military leadership passed a law on the states of emergency and is seeking ways to withhold from the opposition forces the access to the press when it shifts from a state of siege to one of emergency. The constitution drafted by the Pinochet dictatorship establishes that the Executive

Branch is empowered to suspend freedom of expression only during a state of siege, but as has been the case during the past several months, the Chilean regime makes use of numerous marginally legal procedures to bypass its own fascist constitution.

As the chief of the dictatorship stated recently, if the current legal framework obstructs the normal development of government institutions, then means to change the constitution will be studied. That means that if the laws that Pinochet himself imposed on the people in 1980 are no longer adequate to legalize political terror, then they must be changed. In practical terms, Pinochet's rhetoric has no other purpose than to simulate concern for the country's legal system. Pinochet and his clique have been routinely breaching not only established laws, but the most elemental principles of social coexistence and human rights.

However, Pinochet's real concern is the leaks in his press censorship machinery, through which the people are learning more about the political repression and crisis that prevails in Chile. Pinochet does not hesitate in making use of the most repudiated procedures of his well-stocked arsenal of repression to erase all trace of freedom of expression in the country.

CSO: 3348/720

CHILE

JUDGE ADVOCATE ORDERED TO QUESTION GEN CONTRERAS

PY301912 Madrid EFE in Spanish 1456 GMT 30 May 85

[Text] Santiago, 30 May (EFE)--The Military Court has ordered the second military judge advocate to question General Manuel Contreras, retired, in the case of 77 presumed missing-detainees.

General Contreras was the chief of the former National Intelligence Directorate [DINA], the secret police of the military regime, which has since been replaced by the current National Intelligence Center [CNI].

The Military Court ordered the military advocate to question General Contreras because of a complaint appeal submitted by lawyers Nelson Guillermo Caucoto and Pedro Barria, representatives of relatives of the presumed missing-detainees. The appeal is filed against the second military judge advocate for disregarding a previous order (of October 1983) to question General Contreras.

The trial goes back to the middle of 1978 when relatives of the missing persons brought criminal charges against General Contreras and other DINA officials. The ordinary court to which the charges were brought declared itself incompetent, and the case was then transferred to the Military Court. By the end of 1983, then Military Judge General Osvaldo Hernandez had decreed the temporary discontinuance of the case, but the Military Court has now ordered the reopening of the investigation and, among other actions, the questioning of General Contreras.

Among the 77 missing persons, the following people are included: former Socialist Deputy Carlos Lorca; former Under Secretary of the Communist Party Victor Diaz Lopez, Dr Ivan Insunza Bascunan, bicycle champion Ricardo Tromen Mendez, movie director Jorge Muller, and university students Maria Angelica Andreoli and Muriel Dockendorff.

CSO: 3348/720

CHILE

'DEMOCRATIC CHILE' PROTESTS RIGHTS ABUSES

PY291210 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1906 GMT 28 May 85

[Text] Buenos Aires, 28 May (NA)--The Human Rights Commission of Democratic Chile today denounced that there are 450 political prisoners in Chilean jails, of which 18 of them are women, and requested that they be treated according to the regulations of the Geneva convention.

Democratic Chile, a Chilean opposition coalition in exile, has denounced in a press conference "the subhuman conditions" in which the political prisoners live in 31 jails and concentration camps. These statements come at a time when demonstrations are being carried out throughout all Latin America in the last week of May in protest of the situation of missing persons.

The press conference was offered by Edgardo Condesa, president of Democratic Chile, Cecilia Suarez, daughter of Jaime Suarez, a former government secretary during Salvador Allende's administration, and Ramon Quintana, member of the Democratic Chile Human Rights Commission.

They explained that the organizations of relatives of missing persons and political prisoners demand that "their missing relatives be released alive," and that those guilty of their disappearance be tried and punished. They also demand that "their imprisoned relatives be recognized as political prisoners and be treated according to the regulations established by the Geneva convention." The reinstatement of decree No 504, which changes the punishment of life imprisonment to expulsion from the country, is also demanded by these organizations.

Democratic Chile representatives said that Pinochet's regime "has institutionalized terror in Chile in such a way that more than 1 million Chileans went into exile, escaping the holocaust" in their country.

They said that Pinochet "exported his state terrorism and ordered the death of some Chilean patriots who had denounced the Chilean genocide," and mentioned as examples the murders of General Carlos Prats in Buenos Aires, and of former Chilean Foreign Minister Orlando Letelier in Washington.

They also denounced that "since Pinochet cannot stop the popular struggle, he has imposed the state of siege and uses the judicial system to his benefit to raid houses, to arrest people, and to kill them with impunity."



In addition to the number of people who are detained every week, we should add the cases of "three opposition patriots who had their throats slashed recently, and of three other youths who were shot to death in the interior," the representatives of Democratic Chile said.

CSO: 3348/720

CHILE

COPPER WORKERS LEADER ON CTC CONGRESS IN RANCAGUA

Santiago HOY in Spanish 6 May 85 p 27

[Interview with Darwin Bustamante, president of the Chuquicamata local of the CTC, by HOY, date and place not specified.]

[Text] "We are as in the aftermath of a war, with casualties, wounded and empty coffers. We have to review the result of the social mobilization in order to determine our future policies," says Darwin Bustamante, president of the Chuquicamata local of the Confederation of Copper Workers (CTC). Neat and relaxed, Bustamante (age 43, two children) considers that he is in a position to make a contribution to the labor movement.

Julio Borquez, the secretary of the No. 2 Union of Tocopilla, was pleased when he returned from the ordinary congress that the CTC held in Rancagua on 27-28 April. According to him, the discourses of Darwin Bustamante were closely followed and well-received in Rancagua. And he adds: "Bustamante is a man of vision, one of the young leaders. We, his friends, would like to bring the presidency of the CTC to the Chuquicamata local."

Bustamante does not reject the idea. According to what he says, the CTC will hold an extraordinary congress in one and a half months "to determine the number of leaders the National Council should have, and whether the rotation of the CTC presidency among the various locals should be maintained, or a leader from any local should be freely elected."

He is getting ready in time because the change of leadership is next year. But that is the way he has carved his career. He joined Big Mining in 1966, and was elected leader in Tocopilla in 1970. He lost the post because he advanced from laborer to employee. In recent years, he has been working in the settlements "with those who lack the means to feed themselves." He was elected leader in 1981, and then reelected with the first majority.

[Question] What is your appraisal of the CTC congress in Rancagua?

[Answer] Almost 100 of us leaders attended. We analyzed economic and organizational problems, and approved the expense account for 1984. In the economic area, we are recovering from the results of the dismissals following the work stoppage, and the debts that we inherited from previous

leaderships. We also realized that the January congress is drawing near and there will be a change of leadership. And we expressed our satisfaction about the concern displayed by the CTC over the establishment of a national policy.

[Question] Why did you join the International Federation of Metallurgical Workers?

[Answer] That is an organization which groups all the metallurgical workers of the world. We gave our vote of approval because it is not an ideological federation. Studying Latin American and global realities, we see that managers and enterprises everywhere unite in defense of their interests. In the face of that, we workers also have to do it, especially when dealing with organizations which provide mutual assistance, economic support and training. Moreover, the CTC needs to have an international projection.

[Question] Did you examine the situation of the contractors in the state enterprises?

[Answer] It is a problem that seems everlasting. Though various authorities have said that the practice will be reduced, we see how it keeps spreading especially in those tasks in the undefined area between the workers and the contractors. Contracting enterprises concern us because workers, who often come from the CODELCO [Copper Corporation] or are sons of miners, are being paid very inferior wages and are being subjected to a shameful exploitation.

[Question] Why is it that the workers of the Chuquicamata local have negotiated in advance?

[Answer] Labor legislation is adverse to the workers and is set up in such a manner that, with a misunderstood labor-union freedom, it really weakens the organizations by permitting individual negotiation. When management sought to anticipate negotiation, we labor unions said no. Then management enticed the workers to sign individually, offering a money incentive. In the face of such a situation, we opted for anticipated negotiation, but conducted by the union to avoid weakening it.

[Question] What do you think of the divisions that exist in the labor-union realm?

[Answer] There is a need for a dialogue at the top, such as is the normal procedure at the grassroots organizations. In that dialogue, each individual should partly renounce to his personal aspirations. The main challenge facing the workers is the immediate start of the social pact needed for democracy.

As to whether there should be one or several labor-union federations, it seems natural to me that people with different ideals should tend to unite in their own organizations. That does not detract from the need to have a big meeting to engage in common action and bring about the restoration of democracy in Chile. That is to say, to propound unity in diversity.

[Question] What could be your specific contribution as national leader of the CTC?

[Answer] I could contribute what I am: a person committed to faith, interested in man, and respectful of the integrity of others. My intent is to help lay the groundwork of understanding and reconciliation needed for a democratic Chile, and the real and true unity. There is no need for leaders who feel like new messiahs, but for modest persons.

8414

CSO: 3348/687

CHILE

#### BRITISH TO MODERNIZE NUCLEAR REACTOR, PROVIDE ARMY VEHICLES

Lima EL COMERCIO in Spanish 4 May 85 p B-2

[Text] London, 3 May 85—Great Britain is trying to sell military vehicles to the Chilean Government and seeking a contract to modernize a nuclear reactor, according to a report published today by the political information magazine NEW STATESMAN.

The magazine, which quotes Defense Ministry sources, reports that in January 1984, the government authorized the export of a Centaur model half-track vehicle in order that the Chilean armed forces could check its effectiveness.

#### Six Million Pounds

It seems that the Chilean Government is interested in acquiring 300 of those vehicles, which are equipped with a light machine gun as a standard item, though an ample assortment of accessories is also available.

A spokesman for the manufacturer of the Centaurs, Laird Ltd., declined to confirm the existence of this deal whose cost would be more than 6 million pounds sterling (some \$7.5 million).

#### British Government Authorization

On the other hand, also according to the NEW STATESMAN, the British engineering enterprise Fairey received permission from the government 6 months ago to submit to Chile a proposal for the modernization of a reactor of the Lo Aguirre nuclear power plant in the outskirts of Santiago. Though described as a civil nuclear power plant, the installation in question is fully under military control.

In September 1982, the British Government agreed to sell enriched uranium to Chile in return for the aid provided by the government of General Pinochet to the United Kingdom during the Malvinas war, according to the NEW STATESMAN.

Of late, the Chilean Government has become interested in the possible acquisition of a broad collection of British armament, ranging from



missiles (Rapier, Seawolf, Seacat, Swingfire and Blowpipe) to planes (Harrier and Hawk) and helicopters (Lynx), or various classes of ships.

#### Laborite Protest

The existence of these two British offers has provoked a protest from the Laborite opposition spokesman for Latin American Affairs, George Foulkes.

Foulkes asserted that the alternative is to support human rights or sell weapons, and it seems that the government of Margaret Thatcher has opted for the latter.

8414

CSO: 3348/687

CHILE

#### BRIEFS

**COURT OF APPEALS MAGISTRATE**--The justice minister yesterday reported the designation of Magistrate Marco Aurelio Perales Martinez as the new member of the Santiago Court of Appeals. He will replace Servando Jordan, who has been designated to the Supreme Court. [Summary] [Santiago EL MERCURIO in Spanish 19 Apr 85 p C 5 PY]

**SNA PRESIDENT REELECTED**--Agrarian producer Manuel Valdes has been reelected president of the National Agricultural Association for the 1985-87 period. In addition to 10 board members, Valdes will be accompanied by the following persons: Jose Moreno Aguirre as first vice president; Nicanor Allende Urrutia as second vice president; and Manuel Tagle as assistant vice president. The designation of this board of directors represents the ratification of a line of action and the adoption of important decisions in the union, Valdes stated. [Summary] [Santiago LA TERCERA DE LA HORA in Spanish 24 Apr 85 p 6 PY]

**INTEGRATION TALKS WITH ARGENTINA**--Last weekend a delegation from Argentina's Neuquen Province visited Concepcion. The delegation held meetings with officials and businessmen of the Chilean 8th Region and visited the main ports of the region, expressing hopes of obtaining a free port for Argentine exports to the countries of the Pacific Ocean. The delegation also mentioned the possibility of a free port in Argentina's Rio Negro Province for exports of Chilean goods to Europe. Chilean officials and businessmen from the 8th Region have been invited to visit Neuquen in September for further discussions of integration projects. [Summary] [Santiago Domestic Service in Spanish 1730 GMT 6 May 85 PY]

**FIRST QUARTER TRADE SURPLUS**--The Central Bank of Chile has reported that this year's first quarter trade balance registered a surplus of \$170 million. [Excerpt] [Santiago EL MERCURIO in Spanish 23 Apr 85 p A1 PY]

**NEW AMBASSADORS RECEIVED**--The new ambassadors of India, Sarv Kumar Kathpalia, and of New Zealand, Harry Broks, to Chile have presented their credentials to President Augusto Pinochet in the O'Higgins Hall of La Moneda Palace. [Summary] [Santiago TERCERA DE LA HORA in Spanish 8 May 85 p 5 PY]

GABRIEL VALDES LETTER QUOTED--Former Foreign Minister Gabriel Valdes yesterday submitted to Minister Secretary General of Government Francisco Javier Cuadra his response to what he described as "an attack against me." Valdes says that in the United States he signed a declaration along with other leaders of Chilean political parties and of the U.S. Democratic Party. He reiterated that he is "a most resolute advocate of nonintervention, a principle that I respected and enforced as foreign relations minister." With regard to the influence that he hopes that the United States will exert, he spoke of the influence "that is legitimate in international life, in the sense of promoting democracy, not the sort of influence that involves intervention in internal affairs, just in the defense of universal values, such as human rights." At one point in his letter Gabriel Valdes says that "there is no contradiction between the principle of nonintervention and the right of any responsible leader to struggle, inside and outside the country, for the defense of basic human rights, which take precedence over the powers of States and the violation of which is repugnant to the conscience of the civilized world." He recalled that Christian Democrats have protested the abuses of fundamental civil and human rights in countries such as Hungary, the Dominican Republic, Afghanistan, Cambodia, Vietnam, Poland, etc. "And we have never accepted the claim that such protests are unjust or constitute attacks on the principle of nonintervention," Valdes said. [Text] [Santiago LA TERCERA DE LA HORA in Spanish 15 May 85 p 17] 8743

ENERGY INVESTMENT REQUIREMENTS REPORTED--The country will need \$5 billion over the next decade to meet its infrastructure requirements, reports the book "Economic Infrastructure for Democratic Development." The 240-page volume is the result of a project conducted in 1984 by the Development Studies Center and contains eight articles researched in conjunction with experts from the Department of Industrial Engineering of the University of Chile. The book is a survey of the country's current power-generating capacity and its foreseeable needs over the coming years. [Text] [Santiago LA TERCERA DE LA HORA in Spanish 13 May 85 p 9] 8743

CSO: 3348/701

COLOMBIA

GOVERNMENT ASKS PARTIES TO BACK PEACE POLICY

PA310749 Bogota Emisoras Caracol Network in Spanish 1215 GMT 30 May 85

[Text] Bogota--The Colombia Government has asked the Liberal and Conservative Parties to support its peace policy and has proposed a national accord to effect reforms and ensure that the people will enjoy the positive results of the peace process.

In an effort to attain peace, Government Minister Jaime Castro addressed a message to Liberals, Conservatives, and Galanists [movement within the Liberal Party, also known as "New Liberalism"], in which he said: Undoubtedly, the attainment of peace demands that the country effect economic and social reforms. In order to implement this, it is necessary to make the political changes that facilitate the presence of new social forces--which are today excluded from public life--in our institutional system. These forces must now mobilize in search of a space that will allow them to channel and crystallize their willingness to participate in the community as citizens.

Castro stressed the need for the parties to fill the space between the state and society so that they can get acquainted with the new forces that are demanding participation in the national scenario and that have expressed discontent through abstentionism, strikes, and guerrilla activities.

The parties did not answer the government's invitation immediately but the Conservative Party [words indistinct] said that they will fully support the current administration's peace policy.

CSO: 3348/719

COLOMBIA

#### VIEWERS PROTEST TELEVISED INTERVIEWS WITH TERRORISTS

Bogota EL TIEMPO in Spanish 11 May 85 p A-8

[Text] Yesterday, a general protest was raised over the remarks made by the perpetrators of two crimes on a television news broadcast and a radio program, in which those interviewed explained the reasons for their actions.

"The News at Seven," directed by Juan Guillermo Rios, aired an interview on Thursday with a hooded individual who claimed to be one of the murderers of the Antioquia attorney, Ignacio Mustafa Aristizabal; while Caracol's 6-9 a.m. program yesterday showed an interview with "Commander Jose," a member of the subversive group which took credit for the attacks in Bogota the night before last which left a toll of four guerrillas and one policeman killed.

The people's protests demonstrated indignation at the fact that the news media allow, through their facilities, the justification of crime, speeches delivered against the Armed Forces and making the audience think that the criminals are the people's defenders.

Heriberto Fiorillo, assistant director of "The News at Seven," explained that the interview with the hooded man was carried over the air "because it seemed so inhuman to us that we decided to show it to the public."

He remarked that the news media have the function of reporting what is happening, and that it is the television viewer who must make moral judgments, noting that ignorance is worse than too much information.

He added that a news program must not show only good news, but also that involving attacks against the society, reiterating that it is the public who must assess it morally.

Yamid Amat, director of Caracol news, for his part, told "Commander Jose," while his interview was in progress, that he was conveying his views "because we are a free, independent medium, in a democratic country, where there is total respect for freedom of the press. But we want to tell you in conclusion that we are in total disagreement with the system of assassinating people, setting bombs and killing innocent people to protest against a social situation."

It was learned that the Ministry of Communications will soon make a statement on the subject.

2909

CSO: 3348/689



COLOMBIA

FORERO MORENO TO COMMAND; ARBELAEZ TO FACE REVIEW BOARD

Bogota EL ESPECTADOR in Spanish 13 May 85 p C-9

[Text] The official commander of the military forces, Gen Rafael Obdulio Forero Moreno, will resume that post on 15 May at a ceremony to be attended by President Belisario Betancur and the high military commands.

Simultaneously with this report, EL ESPECTADOR managed to confirm that Maj Gen Jose Maria Arbelaez Caballero, who recently returned from the United States where he carried out a service mission at the White House, was called before a review board. Arbelaez was the third-ranking man with the greatest seniority in the military service.

As for General Forero Moreno, the function at which he will take over his position again will take place on the parade grounds of the Military Cadets School, where he will assume command of the Army, Air Force and National Navy forces, because of the fact that this customary ceremony could not be held after his appointment owing to the poor health besetting him at that time.

The decision concerning General Forero Moreno was a pleasant surprise to his comrades in arms who never believed that the high-ranking officer would return to active service after his leave had expired, in view of the repeated recommendations given him by the physicians at the Military Hospital to remain in complete rest.

'Monopoly' on Positions

During the entire period that Forero Moreno was excused from service and using leave, he was replaced by Maj Gen Augusto Moreno Guerrero, commander of the Colombian Air Force (FAC).

For a week, Moreno became the most important military man in the country, because up until last Sunday, and for a period of a week, he had to discharge the functions of acting defense minister, since the head of that office had to travel to the United States in response to an invitation from that country's government.

Added to his post as FAC commander, minister and acting commander in chief, was that of president of the Military Superior Court, a position which by right

belongs to the commander of the military forces. This was why his closest friends told him that he had "monopolized" the most important posts within the different military agencies.

It should be remembered that General Forero Moreno traveled to the United States on 12 February of this year, and was confined for several days in St Vincent's Hospital in Los Angeles.

#### Arbelaez' Removal

As for the summons to Maj Gen Jose Maria Arbelaez to appear before a review board, it was impossible to establish the reasons which prompted that decision by the government because, as has already been stated, the high-ranking military man had not had any problem in the service.

High-ranking retired officers said that it might be due to the fact that General Arbelaez belongs to the engineers branch, wherein the command of combat troops is not exercised.

According to the statements made, Arbelaez Caballero follows Generals Vega Uribe and Moreno Guerrero in seniority. The aforementioned officer was second commander of the Army, secretary general of the Defense Ministry and, finally, served as military attache in Washington.

#### Villamil's Resignation Accepted

Moreover, it was learned that Dr Homero Villamil Peralta's resignation from the post of magistrate of the Military Superior Court has been accepted. The attorney, Maj Luis Humberto Bocanegra Saavedra, was appointed to replace him, and will take office on 15 May. His designation was made by virtue of Decree 1023.

Villamil Peralta, was the one who acted as reporter in the "diplomatic pouch" case, and his arguments were what prompted the abrogation of detention for the journalists who had been connected with that trial.

2909

CSO: 3348/689

COLOMBIA

#### AGRICULTURAL SECTOR STUDY SHOWS IMF ACCORD WOULD RAISE COSTS

Bogota EL TIEMPO in Spanish 13 May 85 pp B-1, B-3

[Text] The recent government accord with the International Monetary Fund, whereby our country is seeking to procure further foreign funds to finance its programs, in which drastic internal measures are imposed to readjust government spending and to make a considerable elimination of subsidies, among other things, will cause the composition of production costs for the agricultural-livestock sector to increase by a minimum of 3 points over what had originally been anticipated.

The projection for a cost increase made at the beginning of the year by the private sector (SAC [Association of Colombian Farmers]), which claims that it would be 25.97 percent, might exceed 28 percent by the end of the period, based on a conservative estimate made by the same SAC.

The sector's future situation appears rather unpromising. The economy's primary activity has been suffering a severe blow since the end of last year, when the Congress passed an official bill whereby the taxes on the CIF cost of raw materials for herbicides, pesticides and fertilizers were increased by 8 percent, the stamp tax by 50 percent and the VAT for imported machinery and capital goods by 10 percent.

Nevertheless, the effects of this tax measure on costs which, according to the SAC analysis, would affect the general structure by 1.31 percent this year, are less when compared with the effects of the IMF's "demands."

The proposed adjustment would be a heavy burden on items such as financial costs, transportation, input and machinery and equipment, components which rely basically on the external sector.

Hence, the stronger impacts of the government's policies and the Fund's "prescription book" will be felt on commercial crops such as rice, cotton, flowers and bananas, which are heavily dependent on foreign technology.

The costs for cotton, potatoes, soybeans, sorghum and rice will be at a higher level than those anticipated for the sector as a whole, as may be observed from the attached chart.

## The Differences

It is important to note the changes entailed for agricultural-livestock production costs by the accord with the IMF, based on the SAC's studies. For fertilizers, the SAC had anticipated, with the impact from all the previous government measures, an increase of 34.1 percent (with a weight of 0.99 percent in the general structure of costs for the sector); whereas with the new situation the increase therein will become 46 percent (which raises their share of general costs to 1.20 percent).

With regard to this item, it is worthwhile mentioning that last week the government ordered the importing of fertilizers through the Agrarian Fund; which means that they will not have the 8 percent tariff surcharge. Nevertheless, in the event that this entity were to assume the importing of all these products (which is unlikely), the increase would drop to 40 percent, based on the estimate made by SAC's Economic Research Department.

On the other hand, whereas the increase for machinery and equipment (working capital), originally estimated at 80.9 percent for 1985 (6.68 percent in the composition of the sector's general costs), with the new situation it will be 93.8 percent, with a share of 7.75 percent in the sector.

Another very illustrative case is that of financial services which, from an initial estimate of 35 percent (1.40 percent of the general structure) rise to 42 percent, in other words, 1.64 percent of the overall costs.

In the specific instance of gasoline, the SAC had claimed a few days ago that an increase in the price from 70 to 75 cents on the dollar (anticipated for the middle of the year), with a 45 percent devaluation, would raise the transportation costs for agricultural-livestock activities by 12 percent, and by 1.3 percent on the farm level.

SAC has published these projections for the sector's cost increases on the basis of a 5 percent rise in inflation worldwide and a devaluation of 45 percent in Colombia.

As was remarked a few days ago in Villavicencio by Alvaro Silva, the association's economic researcher, the policy of adjusting the economy will be a burden that Colombians will have to bear for at least the next 15 years. Hence, he recommended that sectors with a high degree of technological dependence (rice and cotton) must seek greater efficiency and less use of input; whereas, on the part of the state, new orientation is required for the model of development in the agricultural area.

For the present, a break has occurred with the position to be assumed by the Liberal Party regarding the fiscal policy, wherein the government has been asked to eliminate the 8 percent tax on machinery imports, which would be a slight palliative considering agriculture's difficult overall situation.

**(1) Impacto de todas las políticas gubernamentales y de  
las medidas del FMI sobre la agricultura 1984 - 1985**

**(2) (Porcentajes)**

(3) Estructura	(4) Aument. por Políticas Sector	(5)	(6)	Algodón (7)	Papa (8)	Soya (9)	Sorgo (10)	Arroz (11)
<b>I. MATERIA PRIMA (12)</b>								
a. Semilla (13)	25.0	0.30		0.25	3.23	2.50	1.70	1.90
b. Fertilizante (14)	46.0	1.33		2.85	7.18	1.33	4.32	5.98
c. Plag. y Herbi. (15)	46.2	1.20		8.04	4.94	1.71	3.47	4.90
d. Callos (16)	25.0	0.10		0.00	0.68	0.00	0.48	0.00
e. Agua (17)	32.0	0.06		0.74	0.00	.74	0.38	1.34
f. Empaque (18)	20.0	0.22		0.20	1.14	0.70	0.70	0.42
<b>II. MANO DE OBRA (19)</b>	20.0	9.00		6.40	4.74	6.24	5.52	2.86
<b>III. CAPITAL (20)</b>	93.8	7.75		11.75	3.87	12.41	11.95	14.71
<b>IV. SOCIOS FINANCIEROS (21)</b>	42.0	1.64		1.76	2.56	1.55	2.52	3.23
<b>V. TRANSPORTE (22)</b>	85.8	0.81		1.16	3.09	1.00	1.70	3.09
<b>VI. TIERRA (23)</b>	20.0	3.00		2.06	1.74	4.24	2.70	2.02
<b>VII. OTROS (24)</b>	20.0	2.76		0.94	0.00	0.00	0.00	0.00
<b>TOTAL</b>		28.18		36.15	33.16	32.43	35.44	40.45

Fuente: Cálculos de la SAC con base en las cifras de las Federaciones; de Idema; de la Caja Agraria y del Ministerio de Agricultura. (25)

Key to Chart:

- |   |   |
|---|---|
| 1. Impact of all the government policies and the IMF measures on agriculture, 1984-85 |   |
| 2. Percentages  | 13. Seed  |
| 3. Structure  | 14. Fertilizer  |
| 4. Increase by  | 15. Pesticides and herbicides   |
| 5. Policies   | 16. Lime/phosphates   |
| 6. Sector   | 17. Water   |
| 7. Cotton   | 18. Packing   |
| 8. Potatoes   | 19. Labor   |
| 9. Soybeans   | 20. Capital   |
| 10. Sorghum   | 21. Financial partners  |
| 11. Rice  | 22. Transportation  |
| 12. Raw material  | 23. Land  |
|   | 24. Others  |
|   | 25. Source: SAC calculations based on figures from the federations, IDEMA [Agricultural-Livestock Marketing Institute], the Agrarian Fund and the Ministry of Agriculture |

2909

CSO: 3348/689



COLOMBIA

BRIEFS

NEW DEPUTY FOREIGN MINISTER--Guillermo Fernandez de Soto has just been named deputy foreign affairs minister. He will replace Laura Ardila de Ochoa, who has been transferred to the Colombian Embassy in Guatemala. [Summary] [Bogota EL SIGLO in Spanish 1 May 85 p 3 PA]

ARMED FORCES SUPPORT PEACE PROCESS--Bogota--The Colombian Armed Forces have reiterated their support for the peace process and have asked the leftist groups to carry out their strike announced for 20 June in a peaceful manner. Gen Augusto Guerrero, new commander of the military forces, made this statement after he stressed the results yielded by the truce. Subversives have been invited to return to the country's normal life and gain for themselves a political space at public forums. Guerrero pointed out that if there is no peace, development plans can hardly be put into effect. He said that he trusts Colombia is passing through its last violent phase. He demanded sincerity from guerrilla forces that participate in the peace process so that peace can return to Colombia. He said that ideally, weapons should be laid down so that democratic institutions can be strengthened and the political [word indistinct] can be fulfilled in the framework of the constitution and bylaws. [Text] [Bogota Emisoras Caracol Network in Spanish 1215 GMT 30 May 85 PA]

LIBERAL, GOVERNMENT RELATIONS DETERIORATE--The deterioration in the relations between the Liberal Party and the government worsened yesterday, with the publication of the views of former President Misael Pastrana Borrero, to the effect that the coalition with the government party is "intolerable," because this sector simultaneously enjoys positions and opposition. Liberal spokesmen remarked that, if the situation becomes worse, a break could occur which would entail the withdrawal of the Liberal Party from the government. That withdrawal would be made official by a board of congressmen that would meet after 20 July, when the regular sessions begin; and it might be ratified by the convention on 10 August, the purpose of which is to select the Liberal Party's presidential candidate. The Liberals' aloofness has been occurring gradually during the course of the special sessions, and became intensified during the past few days with the strong criticism directed toward the government by several members of the Liberal Directorate. Yesterday, when the opinions of former President Pastrana Borrero became known, members of the DNL [Liberal National Directorate] expressed the view that the time is coming for the Liberal Party to assume a position concerning withdrawal from the government, something which has been advocated by party leaders. [Excerpt] [Bogota EL TIEMPO in Spanish 14 May 85 p A-6] 2909

CUBA

#### BRIEFS

SONG FESTIVAL IN STEREO--For the first time on national radio, Progreso [name of radio station] will broadcast an event directly from the place of origin in stereophonic sound and modulated frequency: from 30 May to 2 June, Everybody Sings [Todo el Mundo Canta] at the Karl Marx Theater and over Radio Progreso, your stereophonic station for the World Youth and Students Festival. [Announcement made immediately prior to 1000 GMT Radio Progreso newscast] [Text] [Havana Domestic Service in Spanish 1000 GMT 29 May 85]

PRESS AGENCY-CZECHOSLOVAK ACCORD--Havana June 4 (CTK correspondent)--Otakar Svercina, director general of the Czechoslovak news agency CTK, and director general of the Latin American press agency PRENSA LATINA Pedro Margolles Villaneuva, signed here on Monday a Protocol on technical-economic cooperation. Under a detailed project, the two news agencies will implement an extensive program to exchange and apply the latest knowledge on news agency activities. This new type of higher quality cooperation being implemented in the spirit of internationalism significantly contributes to the increased ideological influence of the media. Cuba Communist Party Politburo member and Central Committee Secretary Jorge Risquet, who received the CTK director general on Monday, expressed appreciation for the high level of cooperation between the two press agencies and the Czechoslovak understanding of the problems and needs of the Cuban press. [Text] [Prague CTK in English 1054 GMT 4 June 85]

CSO: 3248/417

ECUADOR

JOFFRE TORBAY DISCUSSES CONSTITUTIONAL REFORMS, OTHER ISSUES

Need for Constitutional Reform

Quito EL COMERCIO in Spanish 14 May 85 p A-1

[Text] The secretary general of public administration, Joffre Torbay, announced that the government will soon submit to the National Congress a bill to reform the Political Constitution in force; while remarking that the effort would be continued to procure a legislative majority, "provided it is not in exchange for sinecures or shares of power," as he put it.

In statements to the evening paper ULTIMAS NOTICIAS, Torbay claimed that the Constitution which the Ecuadorean people approved as a package is poorly devised; something which has caused a series of problems which, he claimed have cropped up to date.

Hence, he added, "I think that a thorough constitutional reform is necessary," but for this purpose, "we shall have to wait until the political passions subside a little, and until the legislature, aware of the fact that its major responsibility is to give the country a legal statute which will enable it to survive democratically, decides to study it."

As for the reform to expand the term of the provincial deputies from 2 to 4 years, he remarked that the executive branch has no official information regarding this proposal.

He stressed that, when it becomes a tangible measure, the executive branch will make a statement and, in the event that this should occur, it will object and veto in accordance with the nation's interests.

In commenting on the prospect of obtaining a majority in Congress, Torbay said that the executive branch would continue the effort to procure it, provided it is not in exchange for sinecures or shares of power.

He added: "It will seek a majority, not as an obsequious servant in the executive branch, but as a joint governor in legislative aspects related to the welfare of the republic and to the laws that the country requires to carry ahead projects for free medicine, low-cost housing, and social security, among other things.

He explained that it would not seek, "as in the previous administration," according to his statement, a majority so as to place it in the service of irregularities or unethical behavior, much less in exchange for failure to act or letting irregular situations go by.

In commenting on "guerrilla outbreaks," the government spokesman said that disturbing groups and positions are beginning to show up which deserve the most radical, deterrent attitude, not only on the part of the police sectors and the executive branch, but also from all state offices, which must preserve their major assets at all costs: peace, respect and calm, which cannot be in the hands of "mentally deranged" people.

When asked about the progress of the investigations concerning the "Alfaro Lives" group, Torbay said that there are clear signs that sectors of varied political ideology are involved in this movement, essentially controlled by extremist groups which are seeking to make their presence widely known through actions.

He stressed that there is the hope of reflection on the part of those who have the opportunity to forcefully punish the ones involved in this movement.

#### Prosecution of Former Officials

Quito EL COMERCIO in Spanish 15 May 85 p A-1

[Text] The secretary general of public administration, Joffre Torbay, announced that the present government would propose to the Supreme Court of Justice, at the proper time, several trials to explain and penalize alleged unethical acts committed during the previous administration.

In statements to the evening newspaper ULTIMAS NOTICIAS, Torbay commented that the country will be able to observe that the jurisdictional office will have "the opportunity to punish those who were guilty of acts which scandalized the country," as he remarked.

He cited the Santay Island case, explaining that "the friends of the former government who were up to their old tricks, with arbitrary acts and irregularities controlled from the upper echelons" will be exposed.

He explained that the country would also learn about the turnover of the republic's customs to sectors which, in return, gave their votes in the National Congress.

He added that there would be disclosures of fraudulent imports of medicines and medical equipment which arrived in containers, not necessarily at hospitals, but rather at houses of officials from the former administration.

He emphasized that the Ecuadorean people would find out about the way in which the funds of the National Defense Board were made available "to cover gaps that had been made irresponsibly and ineptly by those who controlled the monetary policy."

He claimed that there would be a penalty for those who, in exchange for speculation and unlawful amassment of wealth, jeopardized the monetary reserves through the sale of dollars in the Central Bank of Ecuador.

According to the official spokesman, the respective trials will be proposed through the authorized agencies, following the pertinent legal procedures.

2909

CSO: 3348/694



ECUADOR

#### ASPIAZU DISCUSSES MEETING OF FORMER PRESIDENTIAL CANDIDATES

Guayaquil EL UNIVERSO in Spanish 12 May 85 p 5

[Text] (ANE)--The national director of the Alfarist Radical Front [FRA], Jaime Aspiazu Seminario, declared that his participation in the meeting of former candidates for the presidency of the republic which took place in Quito was not as a member of the Progressive Bloc nor of the National Reconstruction Front, and that, rather than as a demonstration of protest, he participated as an act of democratic faith.

Furthermore, he claimed that he hopes to prove convincingly that we in Ecuador are by now a civilized people, and that members of different political movements, regardless of how great and abysmal the differences may be, can sit down and hold dialogue on problems affecting the welfare of the Ecuadorean people.

#### Dialogue As Many Times as Necessary

He added that he, in particular, has an intention of holding dialogue as many times as necessary with any political leader, maintaining the same constructive spirit and trying to bring calm to a country that is experiencing serious social, economic and moral times.

Jaime Aspiazu explained that he has by no means been considered by other political sectors to play the role of a mediator between the opposition and the national government, because, conversely, all the former presidential candidates did was to analyze the successes and mistakes of the Ecuadorean chief executive.

#### Constitution Violated

With regard to mistakes, the national leader of the FRA stressed that it had been established that, on two or three occasions, the president of the republic had violated the Constitution in effect. Aspiazu pointed out (and several of those present had agreed with his position) that the Congress, too, is in default, because it has not acted with the speed that the country was anticipating and, furthermore, it has refused to exercise the most important of its functions, namely, that of overseeing the actions of the executive branch.

In conclusion, Jaime Aspiazu commented on the dialogue that President Febres-Cordero has proposed, noting that, although he has mentioned this possibility, the only thing that there has been to date is a monologue, held through the news media, and not the discussion between two political sectors.

MEXICC

PARTIES OF LEFT SUSPECT ITT MEDDLING IN 7 JULY ELECTIONS

Mexico City UNOMASUNO in Spanish 15 May 85 p 3

[Article by Ubaldo Diaz]

[Excerpt] Last night, the Popular Socialist Party (PPS), the Socialist Workers Party (PST), the Mexican Workers Party (PMT) and the Unified Socialist Party of Mexico (PSUM) asked the Federal Election Commission to investigate the alleged meddling of the electronics company ITT in federal elections on 7 July in order to help the National Action Party (PAN).

It was at the regular meeting of the Federal Election Board, presided over by Interior Secretary Manuel Bartlett Diaz, that PPS representative Alfredo Reyes Contreras warned that in Monterrey, that company had been contracted by the PAN, for the sum of \$20,000, to use electronic means to spy on election campaigns in the different districts and then speak of fraud.

Deputy Reyes Contreras said that on 7 July, the national sovereignty will be at stake because forces are being mobilized to upset the constitutional order of the country.

He also said that it was necessary to spell out the terms of PAN participation and its relations with American fascist groups, from which it has received generous aid.

The same PAN leaders have admitted that they contracted the ITT crew, which is unacceptable. If proved, the PAN's registration as a political party could be canceled.

For his part, PAN representative Jose Gonzalez Torres said that the investigation should be as complete as possible so that the matter may be resolved without further delay, but he denied that his party had contracted the services of the transnational company.

Later, PST member Pedro Rene Etienne also expressed his support for a complete investigation, inasmuch as the PAN members themselves have manifested their determination to use and contract for the services of electronic media.

He added that this is one more attempt at penetration by the most reactionary groups of the United States, in connivence with the United States.

Later, PRT [Revolutionary Workers Party] member Edgar Sanchez said he opposed punishing the PAN in application of the election law, adding that it should be beaten in the ideological and political terrain.

In the meantime, PSUM member Eduardo Gonzalez Ramirez expressed his concern over the PAN meddling.

Shortly before, the representatives to the election organization had approved the formation of a special subcommittee to analyze and rule on the possibility that a computer center might be set up on 7 July.

However, the Chamber of Deputies representative, Mariano Pina Olaya, said that that subcommittee should ensure that the law and specifically, the constitution, is not violated.

Interior Secretary Manuel Bartlett made the same recommendation so that if the recommendations should be approved or rejected, strict attention will be paid to legal procedures.

11,464  
CSO: 3248/403

MEXICO

VERACRUZ GOVERNOR'S KINSMAN SUSPECTED OF DRUG TIES MURDERED

Signs of Torture

Mexico City LA JORNADA in Spanish 15 May 85 pp 1, 23

[Article by Luis Velazquez]

[Text] El Tropico, Veracruz, 14 May--Cattleman Felipe Lagunes Lagunes, the husband of the governor's first cousin, Mrs Minerva Lagunes; the foreman at his ranch El Cocal, Jose Luis Abad Quevedo, and gardener Angel Jacome were found dead early this morning. The victims had been tortured (broken ribs, shattered jaws and ruptured internal organs) and shot.

Alfredo Chaparro and his 13-year old son Clemente are missing. They and the victims had been kidnapped early Sunday morning by more than 70 individuals "belonging to the Public Security Directorate," Mrs Minerva Lagunes asserts.

The coroner, Leodegario Toto Linares, said: "Never have I seen such vicious killers." He also reported that the three bodies show signs of torture. One of them had his right buttock burned with an electric iron. The scrotum of another had been mangled, after which he had been bound with a lasso from the genitals to the waist.

The commander of the Judicial Police of San Andres Tuxtla, Felix Hernandez Crisanto, and the commander of the municipal police, Maximino Diaz Alzacar, say that they know nothing about possible culprits. They noted that all they can do is conduct the appropriate investigations.

The head of the Judicial . . . and 20 of his agents are combing the area in search of Felipe Lagunes's two other employees.

The municipal agent of the town of El Porvenir, Alfonso Rojas, found the bodies at 6 in the morning on the local road to Nueva Victoria. Two local residents say that they heard nothing, much less saw any vehicles or individuals dump them off. The coroner estimates that they were murdered around midnight.

### Police Official Accused

Mexico City EXCELSIOR in Spanish 16 May 85 States section p 1

[Text] Veracruz, Veracruz, 15 May--The wife of cattleman Felipe Lagunes Castillo, who was tortured and shot repeatedly, has identified one of the alleged culprits, Roberto Acosta, the deputy of the head of the Public Security Directorate in the state, Hiram Morales.

Minerva de Lagunes added that 75 members of the police, some 30 of them wearing hoods, had arrested Felipe Lagunes and 4 other persons, 2 of whom were found murdered along with the rancher. The two others have not yet been found: a milker and his 13-year old son. The police believes that they might also have been slain.

Felipe Lagunes Castillo was buried at 1630 hours at a private cemetery. Meanwhile, investigations continue in the El Tropico area.

Separately, the leader of the Regional Cattlemen's Union, Efren Lopez Meza, reported that a complaint [denuncia] has already been filed with the presidency of the republic and the office of the attorney general.

### Autopsy Shows Signs of Torture

The director general of livestock in the state, Pedro Rivera Pavon, revealed that the autopsies performed on Lagunes Castillo and the two workers at his ranch, Angel Jacome and Jose Luis Quevedo, showed that they had been tortured.

Ruben Lagunes, a brother-in-law of Felipe Lagunes, gave assurances that "the family will leave everything in the hands of the law."

In Tantoyuca, the head of the local Cattlemen's Association, Eduardo Assad Azuara, said that uncertainty prevailed among ranchers.

He mentioned that he himself, for example, had been kidnapped a few days before along with a relative of his in what was apparently a police arrest, and an attempt was made to implicate them in drug trafficking. He gained his freedom after handing over 70,000 pesos to his kidnappers, who identified themselves as Federal Judicial Police agents.

Attending Lagunes Castillo's interment were his four widows, as well as the chief justice of the State Superior Court of Justice, Luis Martinez Almendra; the mayor of the port city, Adalberto Tejeda Petraca, and syndic of the city hall, Jose Luis Lagunes.



Called Patron of Poor

Mexico City UNOMASUNO in Spanish 16 May 85 pp 1-A, 27-A

[Article by Bernardo Gonzalez Solano]

[Text] Felipe Lagunes was buried today at 1550 hours at the Jardin Veracruzano Cemetery. The controversial 42-year old cattleman, whose fortune was estimated at many millions of pesos, once claimed that he owned at least 1 ranch in each of the state's 203 municipalities and more than 3,000 head of cattle. He had been called a drug trafficker, murderer, cattle rustler, bank robber, local boss and "patron of the poor."

More than 5,000 people attended the ceremony, mostly cattlemen and peasant farmers. Also present were the municipal authorities and, on behalf of Governor Agustin Acosta Lagunes, the chief justice of the Superior Court, Luis Martinez Almendra, who said that he knew of no charges that had been filed against Felipe Lagunes and that his murderers would not go unpunished because arrest orders have already been issued for them.

The bodies of Felipe Lagunes Castillo and Jose Luis Abad Quevedo (the friend and ranch foreman of "El Indio," as Felipe was popularly known) arrived at 2200 hours on Tuesday the 14th at the Del Angel funeral home at 2199 Simon Bolivar for the wake. The body of Felipe Lagunes's third companion, Angel Jacome Trujillo, who was also kidnapped at El Cocal, was sent to Tierra Blanca, Veracruz, his home town.

Hundreds of persons filed past the two gray metal coffins. Rich and poor, politicians, military officers, cattlemen, peasant farmers, ejido leaders, people who knew Felipe and who spoke in hushed tones of how brutally he had been murdered. His entire body had been beaten. His face was so badly mangled that some people had said that it was not "El Indio," though his wife Minerva and other relatives had identified him previously.

In an interview that same day in Jalapa, Veracruz, the state attorney general, Pericles Namorado Urrutia, said that rumors had been going around about the kidnapping and subsequent slaying of Felipe Lagunes Castillo, one of which was that a state government official had something to do with the crime, which he said was totally untrue. He also stated categorically that no municipal, state or federal police force had anything to do with the case.

Namorado Urrutia also asserted that during his term as attorney general of the state no accusation had been brought against Felipe Lagunes for drug trafficking, murder or any other crime.

The attorney general also disclosed that on instructions from the governor of the state, Agustin Acosta Lagunes, two investigative groups have been formed to solve the crime.

People continued arriving at the funeral parlor. Many of them were friends of the deceased, such as Lt Col Ernesto Vazquez Castellanos, the director of the Panamericana de Seguridad and the former State Public Security director under Governor Rafael Hernandez Ochoa, and Eugenio Hernandez Bueno, the former Veracruz transit director at the start of Agustin Acosta Lagunes administration.

During an interview that this reporter did with him in November 1984, Felipe Lagunes said:

"I have never killed anyone, but I'm not a goody-two-shoes. If I've had anyone killed, it's been bad people who were harming society under the protection of the police itself...I don't kill. What happens is that they get me into squabbles because I don't let the police hurt people."

Heladio Copto Solano, the San Felipe de Jesus parish priest, officiated at funeral mass in the chapel. Later, at around 1400 hours today, Father Arturo Lopez, the treasurer of the Veracruz bishopric, said another mass, commenting that Felipe Lagunes had made major donations for the construction of churches and other charitable facilities.

The representative of Governor Acosta Lagunes, Martinez Almendra, said that the governor was very worried by the slaying of Felipe Lagunes. In answer to a reporter's question about the various rumors concerning the crime, the chief justice of the Veracruz court asserted:

"There are a lot of rumors floating around. They have yet to be borne out. Violence is not exclusive to Veracruz. There is real violence in many parts of the world: Ireland, Lebanon, Nicaragua, El Salvador. The fact is that violence is a result of the crisis that we are in. So crime will continue, not only in Veracruz but elsewhere in the country as well."

Adalberto Tejeda Patraca, the mayor of Veracruz, merely had this to say: This is a despicable crime that we all condemn.

Simon Bolivar Street was closed to traffic at around 1430 hours. Dozens of pick-up trucks with special tires were parked in the vicinity. The most common models were the Explorers, Cheyennes, Custom de Luxes and F-50's that so many rich ranchers in the area drive.

Meanwhile, Carlos Sosa Lagunes, the president of the Cattlemen's Union in central Veracruz and a relative of the murder victim, said that local ranchers would wait 2 or 3 days, while Minerva Lagunes de Lagunes recovers, before making known their position on Felipe's slaying.

The son of Felipe Lagunes Moscoso and Praxedes Castillo Coronado was murdered, according to the police, on the evening of Monday

31 May and his body dumped alongside a local road in Angel R. Cabada. Two other persons kidnapped that same day have not yet turned up. They are 52-year old Alfredo Chaparro and his 13-year old son Clemente. They might also have been slain.

Felipe Lagunes Castillo was born on 28 June 1943 in Moreno Seco in the municipality of Medellin on the outskirts of Veracruz. He was interred at the Veracruz Panteon Jardin on 15 May 1985.

8743

CSO: 3248/391

MEXICO

# REELECTION OF FIDEL VELAZQUEZ AS CTM HEAD EXPECTED

Mexico City EXCELSIOR in Spanish 17 May 85 pp 4A, 22A, 23A, 24A

[From "Political Fronts" column, by Humberto Aranda]

[Text] So discreet has the probing been in the CTM [Confederation of Mexican Workers] to determine whether the rank and file support another reelection of Fidel Velazquez or whether they would propose another trade unionist for the post of secretary general that, only a few weeks from the date on which the results must come out, few know of any such choice.

CTM leaders have stated that the matter has actually been resolved through the sending of official memorandums in which the executive committees of the different groups support the reelection of the official without exception.

According to plans, the investigative committee is to reveal what it is hoped will be a vote of confidence for Velazquez in June.

The committee is headed by Blas Chumacero Sanchez, but this Puebla leader is busy with his own campaign as candidate for deputy from the 1st district of Puebla. The deputy chairman of the committee, Alfonso G. Calderon, will not leave his post as undersecretary of fishing.

Basically, the only mystery still existing concerning control of the CTM in the near future is whether Velazquez will continue in power as president or secretary general.

Members of the CTM board report that they are studying a plan to create a president's post in the CTM. It would be occupied by Fidel Velazquez, while the office of secretary general would be in the hands of another leader.

11,464  
CSO: 3248/403

MEXICO

WHOLESALE ABROGATION OF FOREIGN INVESTMENT POLICY CHARGED

Mexico City PROCESO in Spanish No 445, 13 May 85 pp 12-15

[Article by Carlos Acosta]

[Text] So flexible is the country's foreign investment policy that it is of little significance to the government when it authorizes firms with 100 percent foreign capital to set up shop in Mexico to manufacture automobiles or baby bottles; industrial equipment or cosmetics; electronics or perfumes...

Using as a pretext the urgent need to bring in foreign exchange, boost exports and lift production out of the quagmire, the De la Madrid administration has chosen to abandon any notion of selectivity in foreign investment. In this way, it is completely ignoring priorities for national economic development and undermining the country's sovereignty.

Against this backdrop, foreign investors—always stubborn, intimidating and demanding—have found all the facilities they need to establish themselves in the country, without restrictions of any sort.

According to the information released in the United States last April by Manuel Alonso, director of social communications for the President's Office (PROCESO 444), which was just released in Mexico last week, the government has authorized in just over 2 years the establishment of 101 companies with foreign majority capital. Seventy-two of these firms have invested in the country before; 42 of them are from the United States.

Although the number of companies authorized is an indication of the consistency of the Mexican Government, in that it fulfills its promises (open doors, endless facilities and authorizations), the kind of activity many of these companies engage in contradicts the criterion of selectivity. This principle, set forth in the National Development Plan, is supposed to orient the foreign investment policy, which is to permit the establishment only of entities that are involved in activities essential to economic development, that are "net generators" of foreign exchange, and that would bring in the technology necessary to promote the country's scientific and technical development.



Alonso's list, however, suggests something else: The same facilities have been extended during this term to those who want to produce capital goods and foods, as to those who make cosmetics, perfumes and baby bottles.

Indeed, the same priority ranking has been given to the production of industrial equipment and to the establishment or expansion of the following firms: Avon Cosmetics (manufacture of cosmetics and perfumes), Compania Medicinal La Campana (manufacture of medications and toiletries), Johnson & Johnson (health aids and pharmaceuticals), Mennen de Mexico (manufacture and distribution of toiletries and baby bottles), AMS de Mexico (medical treatment materials and implements for hospitals), Colgate Palmolive (detergents, soaps, toothpaste and toiletries), and Kellogs de Mexico (prepared cereals).

The official information does not include other companies that reported 100 percent U.S. investment at the end of 1983: the Chiclets Adams, Sabritas, Chocolates La Azteca and Tutsi candy companies; and the "No Sabe Fallar" company, which makes ballpoint pens and office supplies. According to the magazine EXPANSION, these are among the 500 most important companies in the country.

The 4 candy companies, as a whole, employed 9,967 people in 1982; in 1983 they employed only 8,553; 1,414 workers were displaced (there are no figures for 1984). With fewer employees, however, they increased their sales in 1983: Sabritas by 70 percent, Adams by 74 percent, Chocolates by 55 percent, and Tutsi by 104 percent. (These data simply illustrate how important these firms are, and how much they contribute to the national economy.)

The figures reported by Manuel Alonso for U.S. consumption reveal that it is in the chemicals and chemical-pharmaceuticals sectors that the Mexican Government has reached the greatest understanding with the transnationals: a total of 39 companies with 96 to 100 percent foreign financing have been authorized, 24 from the United States, 5 from Germany, 3 from Panama, 3 from Canada and 1 each from Sweden, England, Costa Rica and the Bahamas.

In the activities that really are essential for national development, the U.S. firms, and foreign-financed firms in general, risk little. For example, in the manufacture of capital goods, just 3 American firms operate with 100 percent equity capital; 2 operate with 63 percent, and 1 with 85 percent. In the same sector, a French firm is operating with 100 percent equity capital, and a Swiss firm has 75 percent equity capital.

In the metalworking sector, just 5 companies are involved: a Japanese firm with 73 percent equity capital, and 4 U.S. firms, 2 with 100 percent, 1 with 85 percent, and another with 72 percent equity capital.

The petrochemicals and iron and steel sectors have hardly any participation by such companies: In the former, there is just 1 foreign company, a U.S. firm with 100 percent equity capital. In the latter sector, only 3 firms are involved: 2 from the United States, both with 95 percent equity capital, and 1 from Great Britain, with 100 percent equity capital.

More profitable are the electronics and electrical sectors, and thus they are given preference. Seventeen firms are authorized to operate here; 11 of them are from the United States, of which 7 have 100 percent equity capital and the rest, 85, 75, 65 and 61 percent, respectively. Three firms are Dutch, with 87, 69 and 49 percent equity capital, respectively. The remaining firms comprise a Belgian firm with 100 percent equity capital, a Japanese company with 98 percent, and a Swedish one with 60 percent.

The services sector (consultation, stockholding, real estate, travel agencies, representation) is also one of the most profitable; there are 16 companies involved, and except for a Japanese firm that has 69 percent equity capital, all have more than 95 percent foreign financing (5 are American).

The rest of the companies authorized during this term are in the automotive sector (6), commerce (3), construction (2), canned foods (3), and tourism, transportation, communications, and textiles (1 each).

Since the sole purpose of Manuel Alonso's report on foreign investment was to reiterate that the Mexican Government always welcomes foreign capital—and for that reason it grants the best facilities, in a politically and socially stable country—it does not provide any data of national interest, such as how much foreign investment has contributed, at least during this administration, in terms of foreign exchange, employment and technological advances.

The report does, on the other hand, present the amounts and percentages of investment of the principal projects authorized in the past 2 years, as an indication of this willingness to accept foreign investment. The projects approved in 1983 are the following: Renault de Mexico (France), 14.325 billion pesos; Teleindustrias Ericsson (Sweden, 60 percent), 3.694 billion pesos; Quimica Henckel (Germany, 100 percent), 8,221,474,000 pesos; Empresas Tolteca (Great Britain, 49 percent), 4.4 billion pesos; General Motors (United States, 100 percent), 3.6 billion pesos; Avon Cosmetics (United States, 100 percent), 3.251 billion pesos; Oil Well Drilling (United States, 100 percent), 1.380 billion pesos; and Wyeth Vales (United States, 75 percent), 1 billion pesos.

In 1984, 6 major projects were authorized for 100 percent financing: 5 U.S. firms (Ford Motor Co., with 144 billion pesos; Black & Decker, 3.355 billion pesos; Compania Medicinal La Campana, 3.233 billion pesos; Combustion Engineering, \$10 million to \$25 million per year; and Control Data Panamericana, 1.839 billion pesos), and one British firm (Agromak, 3,689,444,000 pesos). Agromak was eventually acquired by Ford.

Alonso's information does not include the other foreign-financed firms that have operated with 100 percent foreign capital since the end of 1983. According to figures from business institutions, among the 500 top companies, 65 have absolutely no national capital. The trends according to type of activity are the same as those observed in Manuel Alonso's document: 20 companies are involved in the chemicals and chemical-pharmaceuticals sectors; 8 companies are in the industrial equipment manufacturing sector; 7 are in electronics; 6 in metallurgy; 5 each in the automotive and auto parts and office supplies sectors; 3 each in the candies and foods sectors; and 2 in the textiles and

papers sector. The remainder are in a variety of activities, such as commerce, leather finishing, and cosmetics manufacturing.

The abandonment of the selection criteria (which the government justifies by pointing to the urgent need for foreign exchange and the slump in production) in fact nullifies the "Guidelines on Foreign Investment and Purposes of Promotion" that was officially released on 16 February of last year. The key section of that document made the following points:

With regard to foreign investment, "an active, systematic and selective policy is to be pursued. Active, for the purpose of promoting the projects which, in addition to conforming to the laws that govern this area, are in the fields of action set forth in the general development strategy; systematic and selective, in that the corresponding promotion shall be concentrated in those areas where the technological factor is decisive for achieving international competitiveness and for promoting exports in areas where the channels of marketing are propitious and in activities that require large investments, and the replacement of imports in the integration of priority production networks. Special attention will be given to the positive factors of job creation and the territorial decentralization of economic growth."

Consequently, says the document, the priority industrial activities open to direct foreign investment are: machinery and non-electrical equipment (including equipment for agriculture, lumber milling, and the processing and canning of foods and beverages; machinery for the petroleum and petrochemicals industries, textiles, plastics and graphic arts; and tools, cranes, pulleys and the like).

Next comes the manufacturing of engines and high-power electric generators, turbines for the processing industry, and high-power turbocompressors. Then comes the metalworking industry (high-technology metallurgy, high-precision microcasting, and specialized tools).

In order of importance, they are followed by the manufacture of electronic equipment and accessories and of transportation equipment and material; the chemicals industry, manufacturing industries, biotechnology, and finally, the construction and operation of hotel buildings.

The document, which was written by the National Commission on Foreign Investment (in which the Interior, Foreign Relations, Finance, Planning, Energy, Mines and Parastate Industry, Commerce and Labor Secretariats participated), states that "the policy of selective promotion should promote foreign investment in pre-selected activities that are capable of becoming net generators of foreign exchange and of incorporating and adapting the appropriate technologies, that contribute to national scientific and technological development, and that are especially complex and require a large investment per employee."

The provision giving preference to foreign investors who engaged in the establishment of labor-intensive industries also became a myth. In fact, employment is the least of the foreign investor's concerns.

Here are a few examples, all companies with 100 percent foreign capital: The Nestle Company cut back its payroll by 10 percent between 1982 and 1983, but sales surged by 73 percent during the same period. IBM de Mexico, during this period, cut back on personnel by 23 percent, but increased sales by 160 percent.

The same is true of these cases: Teleindustria Ericsson had a 17 percent payroll shrinkage and a 74 percent rise in sales; Sperry let go 24 percent of its workforce in 1983, while sales climbed by 99 percent; NCR de Mexico boosted its earnings by 115 percent, with 18 percent fewer employees.

Quimica Hercules, with 16 percent fewer workers, boosted sales by 101 percent in 1983; Compania Medicinal La Campana cut back its payroll by 16 percent and increased sales by 56 percent in the same year.

In 1983, in fact, the sales of the principal companies with 100 percent foreign investment rose by more than 50 percent in every case. The range of sales increases during that period was from 54 to 160 percent.

Despite the lack of cooperation in generating employment, the exports and the protection of the productive plant, foreign investment (which was also responsible for the flight of \$25.5 billion between 1971 and 1981, according to the National College of Economists) continues to be favored by the Mexican Government.

Taking advantage of the powers that the Foreign Investment Act grants the appropriate National Commission to authorize projects at its discretion, and hiding behind the economic crisis that cut foreign investment by 63.8 percent in 1982, Manuel Alonso's report eloquently states:

"Mexico is definitely interested in foreign investment, and the law on this subject is flexible enough to allow even companies with 100 percent foreign capital, as long as their establishment is beneficial to the country."

8926

CSO: 3248/392

MEXICO

'DEFENDER OF INDIANS' LAS CASAS BEATIFICATION PROCESS CITED

Mexico City DOCUMENTACION E INFORMACION CATOLICA in Spanish 2 May 85 p 336

[From "Panorama: Persons...Facts...Statements" column]

[Text] Fray Bartolome de las Casas. His cause for beatification, introduced after the General Chapter of the Dominican Fathers, celebrated in 1983, is proceeding at a good pace. The process--stated the postulator--will serve, among other things, to restore to the indefatigable defender of American Indians his true features. Studied throughout the world as a great sociologist, it has often been forgotten that Fray Bartolome de las Casas was before everything else a missionary, committed to making known to the Indians the gospel, the sole source of liberation. (AICA [not further identified]).

CSO: 3248/393



MEXICO

PROGRAM AIMS TO AID NATION'S SMALL-, MEDIUM-SIZED INDUSTRIES

Mexico City EXCELSIOR in Spanish 7 May 85 pp 1-A, 14-A

[Article by Carlos A. Medina]

[Excerpts] To provide economic, financial and technological support to small- and medium-sized industries, the federal government yesterday launched a comprehensive development program in this subsector that will cost 30 billion pesos, reported Secretary of Commerce and Industrial Development Hector Hernandez Cervantes. Hernandez noted that this branch of industry is essential to the country's economic equilibrium, and this program recognizes its great potential and value for expanding Mexico's industry.

Among the immediate measures to be taken are a revolving credit of 25 billion pesos that the Small- and Middle-Sized Industries Guarantee and Development Fund (FOGAIN) will make available to industrialists in that subsector; 1 billion pesos that the National Council for Science and Technology (CONACYT) will spend on technological research related to this subsector and on technical assistance; 4 billion pesos to be provided by the National Finance Bank, Inc. (NAFINSA) to the Institute of Social Security and Services for Government Workers (ISSSTE) to enable small- and medium-sized suppliers to discount in the national banking network the counter-receipts they receive from that institution; and financing for Mexican Petroleum (PEMEX), the Federal Electricity Commission (CFE) and National Diesel (DINA) to order goods from these industries.

Hernandez Cervantes yesterday held a press conference at the Secretariat of Commerce and Industrial Development (SECOFIN), accompanied by his closest advisers, to explain in detail the mechanisms of the Program for the Overall Development of Medium- and Small-Sized Industries, which was published yesterday in the DIARIO DE LA FEDERACION as an executive mechanism of the corresponding decree.

On instructions from the president, stated the secretary, steps were taken to simplify administrative measures to help this subsector, which from now on will be considered a top-priority area in the country's industrial expansion plans. The subsector will receive extensive technical and technological advice to improve production plants and product quality, and to become an export-oriented sector.

Hernandez explained that this program is clearly geared toward developing, supporting and benefiting the small and medium sectors of industry, but in no way are business owners obligated to accept it. Microindustry is in a class by itself for these purposes. The program will be promoted to the inter-business group as a formula for maximizing the use of their resources and improving their competitiveness by providing a center for the purchase of raw materials, foreign trade enterprises, a subcontracting exchange, credit unions and other facilities.

The public sector is committed to streamlining purchases and payments to this subsector; technological support will be promoted through CONACYT, whose director general, Hector Mayagoitia, signed a 1-billion-peso agreement with SECOFIN for this purpose; and the execution of the program will be coordinated among the state secretariats, para-state enterprises, state governments, and the social sector, in order to make it efficient and productive.

Through the end of this year, 25 billion pesos will be channeled through FOGAIN as a revolving line of credit that will provide financing for the public sector to order goods from this microindustry.

Gustavo Petriccioli, director general of NAFINSA, on that occasion signed an agreement with ISSSTE Director General Alejandro Carrillo Castro for a 4-billion-peso fund to pay suppliers for ISSSTE's orders. This will help bring down inflation and the financial cost to suppliers and the public by ensuring the purchase of goods at lower prices.

8926

CSO: 3248/376

MEXICO

BRIEFS

CORRUPTION-LINKED SOUTHERN IMMIGRATION--Tampico, Tamps., 1 May--The corruption existing among migratory authorities in the southeastern region of the country is the leading cause of the illegal entry of Central Americans into Mexico, said Interior Secretary Roberto Olguin Perez. The officials allow the entries in exchange for dollars, he added. Olguin Perez indicated that the problem is costing the country a great deal of money because the deportations involve heavy expenditures and unfortunately, there is not enough work for all persons coming from Central America into Mexico. He said that most of the illegals try to reach the capital, adding to the problem of unemployment there and the proliferation of the unskilled workers. The interior secretary said that a bus had left for the capital today carrying 40 undocumented persons being deported to their native country. Another 14 individuals who had entered our territory illegally were arrested and remain in jail until a "fairly large group" may be deported all at once, it was learned here. [Text] [Mexico City EXCELSIOR in Spanish 16 May 85 States Section p 1] 11,464

CSO: 3248/403

NETHERLANDS ANTILLES

BONAIRE: SAVINGS SEEN IN CUTS FOR CARE OF AGED

Willemstad AMIGOE in Dutch 6 May 85 p 11

[Article: "Delegate Crestian: 'Expenses of the Aged Can Be Cut By At Least Sixty Thousand': Through Care By The Children And Not In an Old Age Home"]

[Text] Kralendijk--It would save the government a considerable amount of money if the aged were to be taken into family circle instead of placed in a home for the aged. In the radio program Pregunta y Contesta [Question and Answer], deputy of the Ministry of Finance Monchin Soliana confirmed that more attention will be given to this issue which can mean a big relief for the yearly budget.

At present, the government pays for every old person admitted in Cas di Sosiego. This payment goes to the Stichting Hospital [Hospital Foundation] under which the home for the aged comes. It appears that most of the tremendous monthly sum transferred to the Stichting is for the support of the aged in Cas di Sosiego. During the program Soliana mentioned that every month about 120,000 guilders are transferred to the Stichting. This is a heavy burden on the budget of the islands. Deputy Soliana's remark that in the past this item was never such a big burden on the budget was striking because there have always been old people on Bonaire. However, in the past it was the custom that the aged were taken into the family circle and spent their last years there. This was considered to be a more or less moral duty according to Monchin Soliana but it seems that the times have changed. Nowadays people are more materialistic, according to the delegate, and they have lost track of the fact that the children actually have a certain responsibility towards the parents who at a certain moment can no longer run their own household.

In an interview on the local radio, deputy Soliana said that it has now become the custom to simply place the aged in a home for the aged where their children do not even visit them regularly. Besides, Soliana detects a lack of responsibility and reported that at present almost all old people in Cas di Sosiego stay there at the government's expense. Sometimes the aged receive a small pension, most of which is transferred to the Stichting, but

this amount is far from sufficient to cover the monthly expenses. Every month a total of about 15,000 guilders comes in from pensions, supplemented by about 5000 guilders from family contributions. However, every month the government contributes 120,000 guilders and Monchin Soliana calculates that this is about 1700 to 1800 guilders per old person staying in the Cas di Sosiego.

Soliana sees a possibility now to reduce these costs for the government if the family were to decide to take over the responsibility for the old people. That means that the family could then have the pension of the aged which, where necessary, can be supplemented by the government with 500 to 600 guilders, according to Soliana. That means that a room could even be added to the house into which the old person will be taken. The yearly budget of the government will benefit, according to the deputy of the Ministry of Finance, Soliana, who expects that the total expense of about 120,000 guilders can be reduced to even less than half that amount. Taken over the financial year, this could mean a considerable saving for the government which at present has a yearly deficit of more than 12 million guilders a year.

12433

CSO: 3214/26



PANAMA

DIEGO DENIES CHARGES AGAINST BANKING SYSTEM

PA302316 Panama City LA ESTRELLA DE PANAMA in Spanish 25 May 85 p 1

[Article by Hermes Sucre Serrano]

[Text] Mario de Diego, executive secretary of the Panamanian Banking Commission, has noted a news campaign abroad aimed at creating uncertainty among foreign clients of Panama's banking system to upset the Panamanian economy.

De Diego, former commerce and industries minister and a person linked with the country's banking activity, noted that the foreign press has published several reports on alleged difficulties and critical situations which the Panamanian banking system has been experiencing.

The reports, which he described as false, referred to intervention in four banks in Panama, money laundering, violation of banking secrecy with the freezing of accounts owned by foreign depositors, and flight of foreign exchange from Colombia to Panama in its role as a financial center.

De Diego, who was also minister of the presidency under the administration of Ricardo de la Espriella in 1984, stated at a news conference that it "is false that four banks have been intervened in Panama this year." He mentioned the liquidation of the Ultramar Bank a few years ago, the Girod Bank last year, and the Interamericas Bank a few months ago.

He said it is completely false that banking secrecy has been violated in Panama, because President Ardito Barletta himself has reiterated his administration's commitment to respect that law as a fundamental element of our banking system.

Referring to the report linking Panama as the receiver of capital from Colombia, De Diego emphasized that there is no exact information on this matter because all the commission has learned is that these are reports "made up by the foreign press to create uncertainty within the system."

He added that it is difficult to prove if foreign capital has entered Panamanian banks, and in any event, "we cannot prevent foreign deposits from being made at our banks. What we will not allow is the entry of drug trafficking money."

With regard to a dispatch datelined Colombia regarding Antonio Ronderos, the son of the president of the Interoceanic Bank of Panama, De Diego explained that according to the files there is no link between this gentleman and the Interoceanic Bank. His true relationship is with Guillermo Ronderos Torres, who is a member of the board of directors of the bank in question.

De Diego denied charges being made abroad against Panama in the sense that "this banking center has been used to launder money produced from the sale of drugs."

Despite all this, he did not rule out the possibility that any banking center in the world can be laundering money, because this is an activity that is "hard to pinpoint."

De Diego reiterated that the situation of the Panamanian banking system is normal. "All banking centers often go through periods of tension as a result of turns taken by the markets, especially in industrialized countries," he added.

CSO: 3248/394

PANAMA

PDC PLAN CONTINUES TO DESTABILIZE COUNTRY

PA010934 Panama City CRITICA in Spanish 30 May 85 pp 49, 50, 51

[Excerpt] A 23-page document has revealed the Machiavellian plan devised by the Christian Democratic Party, PDC, to continue destabilizing the country, subvert order, and drag the nation into the bloody scene that the Christian Democracy has generated in countries such as Chile, and which it maintains in countries such as El Salvador. The document is essentially a mechanical transplant of the operations that the Christian Democrats use in other countries, as we can see on page 9, which refers to a Social Christian Party that does not exist in Panama (but whom the local Christian Democrats--who lack originality--copy textually, by only adding the party's acronym, PDC). The document eloquently shows the intentions of the Christian Democratic leaders to slander, spread all kinds of lies, denigrate not only the established authorities, but the country itself, and create the impression abroad that in Panama there is no respect for human rights, and that there is no democracy or freedom to write or speak through the radio or to move freely.

The seditious plans reported opportunely as a conspiracy mounted at El Valle de Anton and that of ... [as published] are no more than the physical expression of what the document plans for the Republic of Panama. It is a compendium of organization and ideological indoctrination resulting from the meetings between Ricardo Arias Calderon, who is currently president of the Christian Democracy on the American Continent, and individuals with a bloody image in the region, such as Napoleon Duarte--who must answer to the Salvadoran people for thousands of bodies--and Aristides Calvani. The latter, in view of his failures and incapacity, tried to throw Venezuela into the hands of a new dictatorship similar to the one headed by Perez Jimenez, in the same way as the Christian Democracy did in Chile when it threw the people into Pinochet's arms.

It is our duty to portray a true picture of the danger that lingers over our country, on account of those who have turned the free democratic game into food for their fierce appetites. The document outlines the methods, organizational structures, and ideas to be carried out publicly, within a destabilizing strategy.

The plan calls for the creation of a national network to operate in all of the country's corregimientos implanting regional units of trainers and instructors. It also calls for the active role of the so-called "cooperative and participative individuals" in conspiratory tasks.

PANAMA

GUAYMI INDIANS PROTEST RESERVATION BILL

PA292025 Panama City LA PRENSA in Spanish 29 May 85 p 1a

[Article by Flor Quintero]

[Text] Dozens of demonstrators from the Guaymi Liberation Front [Frente de Liberacion Guaymi], who declared a hunger strike the day before yesterday, occupied the Justo Arosemena Legislative Palace installations yesterday. They carried signs and chanted slogans protesting the impending approval of the bill creating the Guaymi Reservation without prior approval of the Guaymi General Congress, the top government organizations for Indians.

Benito Carpintero, general coordinator of the front, told LA PRENSA that the protest was staged to pressure Jerry Wilson Navarro, president of the Legislative Assembly, into keeping a promise he made during recent talks that "no bill will be approved without a thorough consultation that guarantees the legitimate interests of the Guaymi Indians concerning the border limitations, administration, and natural resources of the reservation."

Carpintero noted that the Guaymi Liberation Front will remain on alert until the executive branch honors the agreement signed between the presidency of the assembly and the Guaymi demonstrators.

The agreement guarantees that the bill creating the Guaymi Reservation will not be approved by the Legislative Assembly without prior consultations with all sectors involved in this project, including the Guaymi General Congress.

The president of the assembly and the Guaymi Indians agreed that before the bill is discussed it must be widely disseminated and all Guaymi and poor peasant sectors must be consulted.

For their part, a group of Christians of the "Christ, Son of Man," "Holy Cross," and "Liberating Christ" churches, and the "Christian Solidarity Committee" sent a letter to the Legislative Assembly calling for "the Christian feeling of not favoring a few, at the expense of the lives of an entire people, with this bill."

CSO: 3248/394

PANAMA

BRIEFS

NORIEGA STRESSES IMMIGRATION DANGER--Quebro, Veraguas Province--More than the canal, the security of Panama depends on the expansion in the region of the Central American conflict and the migratory bomb, General Manuel A. Noriega said at an impromptu news conference yesterday, following a ceremony to turn over to the national government a 60-km road joining the corregimientos of Mariato, Quebro, Arenas, and Flores, in the Province of Veraguas, with the rest of the country. Approached by many Panamanian and foreign reporters who arrived at the area by plane, Noriega said that the greatest danger is the migratory bomb with its consequent problems. Costa Rica is receiving refugees, just as happened in Lebanon, and the defenseless peoples are at the mercy of antisocial elements and who end up being arms traffickers, highway robbers, and vagabonds, he explained. That is why such emigration is dangerous. When asked about weapons confiscated in Chiriqui, he said the rifles had numbers indicating that they belonged to the rebel groups headed by Eden Pastora. [Excerpt] [Panama City EL SIGLO in Spanish 18 May 85 pp 1, 22 PA]

LA PRENSA ACCUSES NORIEGA--While in Panama General Noriega is openly meddling in Central American problems and usurping functions that the constitution and laws confer exclusively to the president of the republic and the foreign minister, in Honduras the armed forces have hurried to put things in the correct place by rejecting Noriega's attempts to mediate between Nicaraguan and Honduran military leaders. The official Honduran communique indicated that "the topic is not subject to the decision of the armed forces because their constitutional functions do not include dealing with foreign policy matters." The communique warned that "regional problems, including those of security, are being analyzed within the framework of the Contadora Group, whose negotiations the Honduran Government has fully supported." This blunt statement subjects General Noriega, the Panamanian Government, and the republic to complete ridicule. Since in Panama we do not have a president with enough civic courage to assert his authority in affairs of his exclusive concern, and since we have more than enough arrogant military officers, someone from abroad has had to remind them about the subordination and obedience that the armed forces must maintain in a de jure state. ["As of Today" column] [Text] [Panama City LA PRENSA in Spanish 30 May 85 p 1 PA]



MOISES OPPOSES U.S. EMBARGO--Moises Torrijos, president of the Panamanian-Cuban Friendship Institute, has told this station over the telephone that the Panamanian people oppose the U.S. decision to boycott Nicaragua economically and to obstruct the Contadora Group's peace efforts. He stressed that Nicaragua wants peace and, for this reason, the firm support for the efforts of the Contadora Group, created at the initiative of the late Panamanian President [title as heard] Omar Torrijos, will continue. He emphasized that the Panamanian people reject unilateral negotiations with the IMF to try to solve the area's serious economic crisis. Regarding this, he noted that the foreign debt will remain unpayable as long as the present economic structures imposed by imperialism prevail. [Text] [Havana International Service in Spanish 1800 GMT 2 Jun 85 PA]

COCINA TO INITIATE CAMPAIGN--The Coordinating Board for National Civilianization (COCINA) yesterday released a public statement in which it asserts that "the Panamanian nation is dying" and for this reason "we exhort all sectors of our society to close ranks for Panama." The statement adds that "COCINA, which considers itself the last peaceful Panamanian movement, is preparing to culminate its antimilitarist, nationalist campaign." The document recounts the growing, constant unease in the country, which is speeding up deterioration "at all levels of our society as a result of the existence of a corrupt military leadership nurtured by the darkest interests of the U.S. Government and leaning on the three government branches," which are trying to give an appearance of legality to the regime through barefaced collaboration with unscrupulous and opportunistic politicians, businessmen, and trade union leaders." [quotation marks as published] According to COCINA, the difficult situation faced by the country is becoming unacceptable to every decent Panamanian. The statement adds that our country cannot continue enduring this instability and uncertainty. "The Panamanian nation is dying." [Text] [Panama City EXTRA in Spanish 24 May 85 p 1 PA]

CSO: 3248/394

PERU

STATE CONTROL OF FISHING INDUSTRY SAID DAMAGING TO ECONOMY

Lima EL COMERCIO in Spanish 10 May 85 Section A p 9

[Text] State control of the fishing industry was negative and detrimental to the country. Peru lost around \$200 million, and in its position as the world's foremost producer of fish flour and oil between 1966 and 1972 it was replaced by Chile, while the potential for industrial fishing remained at a practical standstill, inasmuch as it declined by more than 70 percent, according to the president of the National Fisheries Association, Salomon Manzur Salgado.

In brief, said Manzur, state control has not been good for the country and this mistake should not be made again. "Trust should be returned to the private investor, so that the development of the fishing industry expected by all Peruvians may take place in order to elevate our country to the high position in which it belongs."

Manzur stated that Peru has one of the richest oceans in the world and that it should be exploited rationally so as to feed first our population and then the rest of the world.

He mentioned that up to last year, as a result of state control, losses of more than \$200 million had been accumulated, which means that "the state should not be a manager, and the monies allotted to programs such as education, health, etc. should not be used to make up deficiencies of these business adventures."

He mentioned, in regard to the flow of foreign exchange into the country, that the fishing sector was one of the pillars of our economy during 1972, accounting for 33 percent of the gross national product. "In retrospect, in 1984 the fishing industry brought in only \$350 million, which is one third of the amount earned during the era preceding state control," he reported.

On referring to various proposals from foreign countries that Peru pay part of its foreign debt with non-traditional goods, he said that the fishing sector is ready to provide payment in canned, frozen and dried fish, the quality of which is of world renown.

"This would permit the currently idle capacity of our plants to produce enough to take care of the orders requested," he said.

#### Increase Flour Consumption

The president of the SNP (National Fisheries Association) also gave a report on the recent meeting of the countries that produce fish flour and oil, which took place in London. Delegates from Chile, Peru and Ecuador, countries that represent 85 percent of the world production of these products, were present at the meeting, as well as from minor producers like Norway, Finland, South Africa, etc.

It was decided at the meeting that the consumption of fish flour has begun to rise. It should be remembered that during 1972 world consumption was 4 million metric tons, decreasing after that to 2 million, and this year a recovery is expected, with a projected consumption of 3 million metric tons.

He recalled that in 1972 Peru produced as much as 2 million metric tons of this product, and that this year production is expected to reach 700,000 metric tons, while Chile remains in first place with 1 million metric tons.

9907

CSO:3348/681

PERU

# LOW WATER LEVELS LOWER RICE PRODUCTION BY 40 PERCENT

Lima EL COMERCIO in Spanish 10 May 85 Section A p 16

[Text] Chiclayo, 9 (Correspondent)--The country's two main rice growing areas, Lambayeque and Jequetepeque, in Pacasmayo, will be producing 40 percent less in the current season than they did last year.

In Lambayeque the 36,000 hectors of rice currently under cultivation should produce around 190 metric tons of paddy rice, 30 percent less than last year, which, together with the 50 percent decline in rice cultivation in the Jequetepeque Valley, which has reached only 13,000 hectares, will yield approximately the amount indicated above.

This disclosure was made by Jose Portugal Vizcarra, managing director of the consulting office for agro-industrial projects.

He explained that since the Tinajones reservoir, with a capacity of 300 million cubic meters, was put into operation, during various agricultural seasons, including the current one, due to irrigation needs, it has gone dry; and even the technical reserve, comprising about 10 percent of the reservoir and guaranteeing the long survival of the main dam, has been exhausted.

He said that in the slightly more than 15 years since the reservoir has been in operation, it has been dry for intermittent periods totalling 30 to 35 months, almost 3 years.

He recalled that during 1974, as a result of the destruction of the tunnel of the Chotano river (due to an unpunished negligence) the Chancay Valley did not get its usual annual volume of 180 to 200 million cubic meters, with the natural consequences of the "well-known drought" of 1970-1980, the complete rebuilding of the Chotano tunnel 2 or 3 years ago and the events that followed.

Portugal Vizcarra, an expert on the agricultural realities of the valleys, said that when the year is dry, the users, faced with the urgent need to irrigate, oblige the authorities of the Tinajones system to release the water of the reservoir, leaving it depleted.

He compared the present harvest season with that of a rice crop on 36,000 hectares and commented that because of the low volume of the Chancay river, the reservoir had yielded an average of 27 cubic meters per second over a period of one hundred days.

#### Tinajones Without Water

This, in water accounting, means that on 30 December 1984 Tinajones contained 233 million cubic meters and on last 10 April it only had 6 million, and this required cutting into the technical reserve and thus shortening the useful life of the reservoir, which is a matter of utmost concern.

He stated that Tinajones has been and continues to be a very substantial technical and economic project, which permits regulating the irrigation of 65,000 hectares of the Chancay Valley; extending coverage to the surrounding areas and increasing irrigation from 12,500 hectares of rice to the 38 or 40 thousand hectares now cultivated in a region of large yield and productivity is a problem.

9907

CSO: 3348/681



PERU

BRIEFS

JAPANESE FOREIGN TRADE OFFICIAL--Shoichi Akazawa, president of Jetro (Japan's official organization for foreign trade), will visit Lima to preside over a meeting with the representatives of Jetro in the Latin American countries. According to Jetro's office in Peru, this important meeting will take place at the Hotel Sheraton. Akazawa will arrive on the 11th of the present month and will remain here until the 13th. On that day the chief of state will grant him a special audience. This is the first time that a top leader of Jetro has visited Peru since the organization was established in Lima in 1965. In the past as well as in the present Jetro has actively encouraged the exportation of non-traditional Peruvian products to the vast Japanese market. In 1981 and 1984, Jetro, along with the Peruvian organization Fopex [Fund for the Promotion of Non-Traditional Exports], organized and presented an exposition of Peru's non-traditional products. Around 40 Peruvian businesses took part in the exposition and made important business transactions. Recently Jetro and Fopex signed and put into effect an agreement to establish a program of cooperation for promoting non-traditional exports in Japan. The program consists of two parts: technical assistance for the promotion of exports of textile products and technical assistance in quality control and packaging of frozen fish products. [Excerpt] [Lima EL COMERCIO in Spanish 9 May 85 p A 15] 9907

CSO:3348/681

SURINAME

# EBG OFFICIAL DISCUSSES CHURCH RESISTANCE, HUMAN RIGHTS

Rotterdam NRC HANDELSBLAD in Dutch 20 May 85 p 6

[Article by Sytze van der Zee: "Churches Only Bulwark of Resistance Against Suriname Government"]

[Text] "I have the impression that the regime tries to isolate the churches. But whoever isolates the churches in Suriname, isolates himself. The church has always made an important, positive contribution here and will continue to do so," the Rev. Rudy Polanen, vice president of the EBG [Evangelical Brethren Community] and clergyman-director of the Diakonessenhuis [Deaconesses' nursing home], says.

The 41-year old Rev. Polanen is talking about the refusal of strongman Desi Bouterse to discuss the present political and economic crisis situation with the CCK [Committee of Christian Churches]. Bouterse did have talks with representatives of the Muslim community. The Rev. Polanen: "He said that the churches do not know what it is all about anyway. When all sorts of church papers continue to write negative things, then it is no use to talk with the Christian churches."

## Outlet

After the break-up of democratic political parties and the levelling of the unions, only the churches are left as a bulwark of resistance against the military regime. The fact that they did not listen to voices from their own people who at first argued in favor of complying with the government, can undoubtedly be contributed to people such as the Rev. Polanen and the Dutch Father Bas Mulder. They never made a secret of their criticism.

Within the churches they belong to a group of the most militant critics who criticize the political and economic abuses, and the violations of human rights and the corruption every week in their church papers. The Rev. Polanen, a calm, convincing man: "This is our only outlet because the government has a monopoly on information. I should say a very unhealthy monopoly."

"The newspapers are still not allowed to write what they want to and television is very amateurish. Selection is really abominable. Officially, there is no censorship but our chairman is regularly called on the carpet. They cannot do much to me because, in contrast to Father Mulder's weekly paper

OMHOOG, in our church paper my name is not mentioned." Sneering: "Besides, once in a while we have to ignore a cannonade of abusive language."

According to him, the regime gets upset especially when the churches concern themselves with human rights issues. "They do not want us to talk about that," the Rev. Polanen says. "We have been blamed very much that we as churches criticized the Aktie Schoonschip [Clean Up Movement] when, in the beginning of this year, 5000 illegal aliens--mostly Guyanese--were expelled. To us, it was also a matter of how it was handled because the purpose was to increase insecurity among the population."

#### Human Rights

According to the Rev. Polanen there can be no doubt that the situation with regard to human rights is getting worse: "Since the military coup of 25 February 1980 much has happened that should not be allowed to happen, such as the explosion of violence on 8 December 1982 which is without an equal in our history. What happened then, has to be viewed within the framework of present developments."

"I must say that I have serious doubts about justice in this country. Of further concern is the increasing number of cases of maltreatment. It has happened that people who had been maltreated were threatened with more of the same if they opened their mouths. It is also whispered that people are still disappearing but it is difficult to verify it. All the names mentioned are of people who did not belong to our parish.

"Of course we try to offer help when they appeal to us, for instance when people are rounded up. But they should realize that a large number of people who come into conflict with the regime leave the country. The Suriname population has been greatly intimidated. Therefore, we as a church have to act carefully when we try to contact the victims." He thinks that the investigations started by several organizations into the human rights situation are very positive because they uncover quite a bit.

The Rev. Polanen praises in particular the way in which the OAS [Organization of American States] delegation acted in the beginning of this year: "During its investigation it had the people they wanted to hear as witnesses picked up from their homes. On the other hand, last year Dr Amos Wako, the rapporteur of the UN investigation committee, limited himself to invitations. The result was that whoever did not dare to open their mouths stayed at home.

Besides, representatives of the Suriname government were present at most of Wako's interrogations. Another objection is that he almost exclusively dealt with what happened on 8 December 1982 and dealt less with the basics than did the OAS. But the Wako investigation also has a point in its favor. For an international forum concluded openly that human rights are violated in Suriname."

## Miserable

The Rev. Polanen feels dejected where the political and economic situation is concerned. He says: "The situation is miserable. The economy is flat on its back, everything is stagnant and there is no more foreign currency. Outwardly, the impression is given that nothing is happening at all and that the government is not doing anything at all anymore. We are dealing with a cabinet whose members are constantly traveling, to Jamaica, Brazil, Washington. I think, however, that it only looks like that, sheer sham."

"Some polities which had been made are still being implemented. And the course is to the left, in the direction of a Marxist model in which there is place for one party only. There is much evidence for this, such as the energy invested in the 25 February Movement. Everywhere they are planting seeds, even though one may wonder what they are worth."

The Rev. Polanen is fervently hoping for reinstatement of the democracy in which the Netherlands and Suriname will again have normal relations and Dutch aid is resumed. "At present, we are kept alive by Zeist, financially and morally," he states. "If we were not to receive aid from Zeist, we might as well close shop." Through the Zeist missionary society the Brethren Community also heard that the Dutch Minister for Development Cooperation, Eegje Schoo, had made 100,000 Dutch guilders available for humanitarian ends.

This announcement came after the government in Paramaribo had just said that it was against a shipment of medicine for the Suriname CCK [Committee of Christian Churches] through the Caribbean Conference of Churches. However, this time the government had no objections. The Rev. Polanen: "Suddenly, the commander even visited us, assuring us that he as a decent-minded person could not be against it. That same evening Henk Herrenberg gave a tirade on television against aid which comes through the back door."

Later on it was agreed that the Suriname Brethren Community in the Netherlands could spend the 100,000 guilders from Schoo on medicine as well as instruments. The Rev. Polanen: "Because there is no longer a state of emergency, we consider the 100,000 guilders to be a nest egg. We have used very little of it. From the Netherlands they already told us: Use the money because, otherwise, they will think that you do not need it!"

12433

CSO: 3214/27



SURINAME

BOUTERSE SAID UNDERGOING TREATMENT BY INDIAN 'MEDICINE MAN'

Amsterdam DE TELEGRAAF in Dutch 20 May 85 p 4

[Article by Arnold Burlage]

[Text] Paramaribo--Suriname army commander Desi Bouterse, who has not been able to work because of a serious nervous breakdown, is being treated by an Indian medicine man.

At the end of last week, the military dictator was transferred from the Military Hospital in Paramaribo to an Indian village somewhere close to the Tafel Mountains.

For more than 1 1/2 weeks Desi Bouterse stayed in the hospital and has not been seen in public for more than 2 weeks. According to our well-informed sources, he is suffering from a nervous breakdown with severe depressions.

Herbal Bath

Suriname's strongman has now already been treated for several days with herbal baths in the Indian village. The Indians and Creoles often use this to cure mental illness.

Desi Bouterse's nervous breakdown is supposed to have developed several weeks ago after day-long talks of the top military leaders about the situation in the country and the cabinet crisis in which, after a split with the union ministers, no new ministers have yet been appointed.

The army commander got very excited during the crisis talks when the majority of his advisers did not seem to see a solution for the economic state of emergency in the country. A number of his advisors were even supposed to want to make preparations to turn their backs on the revolution and the country.

The visit to our country last week of former ambassador Henk Herrenberg, who as chief of the cabinet of Desi Bouterse is his most important adviser, also has something to do with the new crisis in Suriname.



The NOS[Netherlands Broadcasting Institute] radio program Zorg en Hoop [Worry and Hope] reported yesterday that an attempt made by Bouterse's right hand man to arrange a secret meeting with Minister H. van den Broek of the Ministry of Foreign Affairs had failed. The minister supposedly did not have any time.

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